

Creating "Taking Action on Tower Renewal" as a New Stream of Toronto's Residential Energy Retrofit Programs

Date: June 18, 2021

To: Infrastructure and Environment Committee

From: Executive Director, Social Development, Finance and Administration

Wards: Ward(s) affected or All

SUMMARY

The Federation of Canadian Municipalities has approved the City of Toronto, through the Tower Renewal Program, for \$11,746,300 in financing and \$1,761,900 in grants to deliver retrofits at older apartment towers in Toronto. In adopting the 2021 Capital and Operating Budget (EX21.2) in February 2021, City Council approved receipt of the funds in order to establish a new program, Taking Action on Tower Renewal. This report responds to City Council's direction to report on a model to deliver the program.

The Taking Action on Tower Renewal Program will provide a combination of financing and grants to eligible property owners to complete retrofits increasing energy efficiency and reducing greenhouse gas emissions while maintaining affordability and improving tenant comfort. This program uses the Local Improvement Charge mechanism to advance retrofit actions in Toronto's multi-residential rental housing stock. It will encourage early voluntary action helping buildings to meet energy and emissions reductions targets, and related actions, being recommended in the City's Net Zero Existing Buildings Strategy.

To enable implementation of the model, this report seeks approval to: add Taking Action on Tower Renewal as a second program under the Multi-Residential Stream of the Residential Energy Retrofit Programs, introduce changes to the overall Multi-Residential Stream including the High-rise Retrofit Improvement Support Program, and authorize amendments to the existing Program By-law 1105-2013 in accordance with Attachment 1.

Taking Action on Tower Renewal advances many City priorities including addressing climate change, improving rental housing quality and maintaining the affordable rental housing stock. The Program will be part of the actions that respond to the City's declaration of a climate emergency and TransformTO. Through this Program, the City is directly enabling the long term investment required to maintain this crucial building stock and will help implement key actions in the HousingTO Action Plan 2020-2030 and the Poverty Reduction Strategy.

RECOMMENDATIONS

The Executive Director, Social Development, Finance and Administration recommends that:

1. City Council approve changes to the Residential Energy Retrofit Program in accordance with Attachment 1 to this report including the following:
 - i. Add the Taking Action on Tower Renewal Program as a second Multi-Residential Stream of the Residential Energy Retrofit Program and for this new program:
 - a. increase the initial disbursement to be up to 30% of the estimated cost of the work in the Property Owner Agreement and allow for a second disbursement at 50% project completion, and
 - b. increase the maximum special charge eligibility to be the lesser of 25% of the Current Value Assessment of the property or \$5 million per multi-residential building.
 - ii. Introduce changes to the Multi-Residential Stream of the Residential Energy Retrofit Program including the following:
 - a. increase the cap on the maximum special charge,
 - b. allow tax exempt properties to participate, and
 - c. enable the cost of work to include reasonable additional administrative expenses incurred by the City of Toronto for exceptional circumstances.
2. City Council amend the Residential Energy Retrofit Program By-law, By Law 1105-2013, to reflect the recommended changes in Recommendation 1 above.
3. City Council authorize the City Solicitor, in consultation with the City Clerk, to submit a Bill to Council to codify By-law 1105-2013, as amended, as Chapter 669 of the City of Toronto Municipal Code.
4. City Council authorize the Chief Financial Officer and Treasurer to establish program interest rates for the Taking Action on Tower Renewal Program based on the City's projected indicative cost of borrowing, set on a quarterly basis, for the purposes of recovering the City's cost of borrowing.
5. City Council authorize the extension of the Multi-Residential Streams of the Residential Energy Retrofit Programs including the High-rise Retrofit Improvement Support Program and the new Taking Action on Tower Renewal Program, as recommended to be enhanced in accordance with Recommendation 1 of this report, from its current expiration date of December 31, 2021 to December 31, 2026 using existing resources in the Local Improvement Charge Energy Works Reserve Fund and any Local Improvement Charge repayments to support project and programming needs, including the extension of one temporary project manager, and direct the Executive Director, Social Development, Finance and Administration to report back on key Program outcomes through regular TransformTO reports to Council.

6. City Council authorize the Executive Director, Social Development, Finance and Administration to negotiate and enter into all necessary partnership and funding agreements with The Atmospheric Fund, Enbridge Gas Distribution, Natural Resources Canada, Canada Mortgage and Housing Corporation, Independent Electricity Systems Operator, Toronto Hydro, and other partners, in forms satisfactory to the City Solicitor, to support implementation of the High-rise Retrofit Improvement Support Program and Taking Action on Tower Renewal Program, as required.

7. City Council authorize the Executive Director, Social Development, Finance and Administration to review and, where necessary, revise the High-rise Retrofit Improvement Support Program and Taking Action on Tower Renewal Program from time to time, solely for the purpose of integrating the City's program with industry best practices and new or existing Federal, Provincial and utility company energy, climate change and poverty reduction programs.

8. City Council authorize the City Solicitor to bring forward the necessary bills to further amend the Program By-law to implement Part 7 above.

FINANCIAL IMPACT

With the proposed structure, the Multi-Residential Stream of the Residential Energy Retrofit Program will have two program streams:

- the High-rise Retrofit Improvement Support Program with an operating budget of \$1.5 million gross, zero net fully funded from the Local Improvement Charge Energy Works Reserve Fund (XR1724), and,
- the Taking Action on Tower Renewal Program with a capital budget of \$13.508 million fully funded by a \$1.761 million grant and a \$11.746 million loan from the Federation of Canadian Municipalities.

Funding for the High-rise Retrofit Improvement Support Program is included in the 2021 Approved Operating Budget for Social Development, Finance and Administration while funding for the Taking Action on Tower Renewal Program is included in the 2021 - 2030 Capital Budget and Plan for Shelter, Support and Housing Administration.

The Taking Action on Tower Renewal Program will incentivize more capital intensive retrofits. In order to adequately support these projects, a second Multi-Residential Stream of the Residential Energy Retrofit Program is needed. This Stream will: 1) Increase the maximum eligible funding amount for a property (inclusive of the cost of borrowing and an administrative charge) to up to 25% percent of the Current Value Assessment of the property to a maximum of \$5,000,000 per building. 2) Increase the disbursement to 30% of the cost of work in the Property Owner Agreement and provide opportunity for both an initial and second disbursement at 50% project completion. 3) Provide eligible projects with a grant of up to \$50,000 to cover up to 50% of the technical study costs and include this in the initial disbursement.

To mitigate the City's collection risk, the Taking Action on Tower Renewal Program is enabled through the provincial Local Improvement Charge regulation by which the City

of Toronto can collect repayment through the property tax mechanism and secure the City's financing through the priority lien associated with the Local Improvement Charge.

Property owners must be in good standing with the City prior to entering into any Property Owner Agreement. Owners will have 5 to 20 years to repay the low-interest financing and terms of repayment will depend on each project. Each payment schedule will be tracked by property location with reporting available on a monthly or ad hoc basis.

Through the work completed to date, staff have identified additional resource needs of \$0.900 million over a five year period (\$0.180 million per year) beginning in 2022. These resources will enable contracting an external retrofit implementation lead, providing enhanced engineering analysis projects, and integrating a workforce development component to support local economic benefits for tower communities. The additional funding needs and revised cash flows will be requested as part of the 2022 budget process.

It is expected the grant and financing funds will be dispersed by the Federation of Canadian Municipalities after all eligible expenses are submitted and approved at the end of the program. The Chief Financial Officer and Treasurer, through the Capital Markets Division, will provide interest rates on a quarterly basis for these loans based on the projected indicative cost of borrowing for the purpose of recovering the costs of the loan from the Federation of Canadian Municipalities. Previously, the High-rise Retrofit Improvement Support Program set interest rates on an annual basis which was based on the projected earnings of the reserve funds. This resulted in interest rates that were uncompetitive and not reflective of market lending rates and the City's borrowing costs.

The Chief Financial Officer and Treasurer, along with Capital Markets Division, is currently working to finalize the documentation process and agreement with the Federation of Canadian Municipalities. Once the Chief Financial Officer and Treasurer signs the agreement, the loan will be counted towards the annual debt issuance authority limit. Disbursement of the debt proceeds will be included in debenture by-law and approved by the Debenture Committee. The debt charges and debt issuance of the program are subject to the policy debt limits.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT STATEMENT

Residential rental apartment buildings are the focus of the Taking Action on Tower Renewal Program because these buildings tend to be major energy consumers and provide an opportunity to achieve substantial emissions reductions through retrofits. In 2010, City Council directed staff to focus on this building stock when it approved the City-wide implementation of the Tower Renewal Program.

Taking Action on Tower Renewal and the High-rise Retrofit Improvement Support financing programs are administered through the City's Tower Renewal Program which focuses on implementing environmental, social, economic, and cultural improvements at

Toronto's approximately 1,200 pre-1985 apartment towers and surrounding neighbourhoods. These privately owned, older apartment towers are the core of the City's affordable market rental housing and many of these buildings are concentrated in the City's Neighbourhood Improvement Areas (NIA), and low-income census tracts. Tower neighbourhoods have a higher prevalence of low-income families, child and youth poverty, newcomers and seniors.

Over 80% of these apartment towers are privately owned and older towers make up 45% of the rental units in this city. These buildings account for a significant proportion of the affordable housing stock and because of their advanced age they require maintenance as replacing the stock would be costly, disruptive, and inefficient. Through these financing programs, the City is directly providing the long term investment required to maintain this crucial building stock. Implementing the Taking Action on Tower Renewal Program therefore supports the HousingTO Action Plan 2020-2030 and the Poverty Reduction Strategy.

DECISION HISTORY

At its February 18, 2021 meeting, City Council adopted the 2021 Capital and Operating Budgets which included recommendations 35, 42 and 200 to: 1) Enter into a grant and loan agreement with the Federation of Canadian Municipalities to accept a loan of up to \$11,746,300 and a grant of up to \$1,761,900 to establish the Taking Action on Tower Renewal Program 2) Amend the 2021-2030 staff recommended Capital Budget and Plan for Shelter, Support and Housing Administration to add the Taking Action on Tower Renewal Program and 3) Report back to the Infrastructure and Environment Committee with the program model, resource needs and communications strategy in July 2021. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

At its October 27, 28 and 30, 2020 meeting, City Council adopted the Towards Recovery and Building a Renewed Toronto report. This report identifies climate resilience as a key priority to address in Toronto and in particular highlights the need for retrofits in older apartment towers to improve health and well-being of tenants while reducing emissions. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX17.1>

At its October 2 and 3, 2019 meeting, City Council adopted the declaration of a climate emergency and the acceleration of Toronto's Climate Action Plan. As part of this declaration, City Council committed to investing in high priority TransformTO emissions reductions areas including building retrofits. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM10.3>

At its July 16, 17 and 18, 2019 meeting, City Council authorized an extension of the Residential Energy Retrofit Programs including the High-rise Retrofit Improvement Support Program to December 31, 2021. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE6.5>

At its December 17 and 18, 2018 meeting, City Council adopted the HousingTO 2020-2030 Action Plan which identifies the Tower Renewal Program and the High-rise

Retrofit Improvement Support Program as key City strategies to improve the existing rental housing stock.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its May 22, 2018 meeting, City Council authorized an extension of the Residential Energy Retrofit Programs including the High-rise Retrofit Improvement Support Programs to December 31, 2019. The report also authorized the Executive Director, Social Development Finance and Administration to allocate a portion of the unused funding envelope attributed to the Home Energy Loan Program to the High-rise Retrofit Improvement Support Program as part of the extension of the programs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PE27.4>

At its April 26, 2017 meeting, City Council adopted the recommendation to extend the Residential Energy Retrofit Programs to December 31, 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PE18.4>

At its December 13, 2016 meeting, City Council adopted the 2017 work plan and progress report for TO Prosperity - Toronto Poverty Reduction Strategy. The 2017 work plan identifies the High-Retrofit Improvement Support Program as an initiative that supports the recommendation to improve the quality and affordability of rental housing for all by supporting improvements and deterring property owners from passing down improvement costs to tenants.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.10>

At its December 13, 2016 meeting, City Council approved TransformTO: Climate Action for Healthy, Equitable and Prosperous Toronto - Report #1. The report prioritizes energy efficiency within the residential sector as a key emissions reduction strategy and short-term actions included the Council approved business case to continue support for residential property owners using the High-rise Retrofit Improvement Support program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PE15.1>

At its July 16, 2013 meeting, City Council approved an energy and water efficiency pilot program for the residential sector – the first municipality to do so in Ontario.

Subsequently, the Residential Energy Retrofit Programs, including the High-rise Retrofit Improvement Support and Home Energy Loan Programs were launched in 2014 to provide financing for retrofits to multi-unit residential building sector and home owners, respectively. A \$20 million envelope was split evenly between the Programs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX33.22>

COMMENTS

Launched in 2014, the Residential Energy Retrofit Programs have provided financing to support capital improvements or retrofits for residential properties with energy efficiency and water conservation benefits. There are currently two streams: the Home Energy Loan Program for eligible single family homes administered by the Environment & Energy Division; and the High-rise Retrofit Improvement Support Program for residential apartment buildings administered by the Tower and Neighbourhood Revitalization Unit in the Social Development Finance and Administration Division. To mitigate the City's collection risk, these financing programs are enabled through the provincial Local

Improvement Charge regulation to collect repayment through the property tax mechanism and secure the City's financing through the priority lien associated with the Local Improvement Charge. These financing programs will help to enable the early voluntary action identified in the City's Net Zero Existing Buildings Strategy and furthers actions identified in the Climate Emergency Declaration as well as TransformTO.

To date, the High-rise Retrofit Improvement Support program has committed approximately \$10.1 million in retrofit financing to 16 rental apartment buildings with a combined 2,300 units. As a result, buildings participating in this program have achieved an estimated greenhouse gas emissions reduction of 3,500 tonnes of CO₂ equivalents and completed housing quality improvements for almost 5,000 residents across the City. Almost half of all projects were located in Neighbourhood Improvement Areas or non-profit buildings positively affecting housing quality for about 2,200 residents that live in parts of the city identified as needing additional supports.

In Toronto, this model has been successful in creating a pathway for property owners to complete retrofits that have increased energy and water efficiency, reduced greenhouse gas emissions, positively contributed to the City's low carbon goals, and improved the quality and comfort of housing for residents. This program also restricts property owners from applying or Above Guideline Increases to rents for the amount of financing taken from the City which helps protect affordability across the rental spectrum.

Taking Action on Tower Renewal – New Residential Energy Retrofit Program

The Federation of Canadian Municipalities has approved the City of Toronto, through the Tower Renewal Program, for \$11,746,300 million in financing and \$1,761,900 in grants to add a new program called Taking Action on Tower Renewal, under the Multi-Residential Stream within the Residential Energy Retrofit Programs. Taking Action on Tower Renewal will use the Local Improvement Charge mechanism to provide a combination of financing and grants to eligible property owners to complete retrofits improving energy efficiency and reducing greenhouse gas emissions.

Taking Action on Tower Renewal advances many City priorities including addressing climate change, improving rental housing quality and maintaining the affordable rental housing stock. The Program will be part of the actions that respond to the City's declaration of a climate emergency and TransformTO. Through this Program, the City is directly enabling the long term investment required to maintain this crucial building stock and implementing key actions in the HousingTO Action Plan 2020-2030 and the Poverty Reduction Strategy.

Taking Action on Tower Renewal Program Model

The Taking Action on Tower Renewal Program will be administered by the Tower and Neighbourhood Revitalization Unit in the Social Development, Finance and Administration Division. The overall goal is to drive apartment buildings along a continuum of improvement to ensure that tower neighbourhoods provide healthy, safe, thriving communities for the people that live there. The Program will provide financing and grants to complete retrofit improvements at 5 to 10 residential apartment buildings in Toronto. These retrofits will reduce emissions and improve tenant comfort which overall will improve housing quality while addressing climate change.

The Program will launch in Q3 2021 with retrofit construction projected to start on a rolling basis in Q3 2022 and end in Q4 2024. Once retrofits are complete, data will be analyzed to confirm energy and emissions reductions. Buildings will be required to report energy and emissions data over the term of the loan using methods aligned with the Net Zero Existing Buildings Strategy recommended actions. This information will then be shared in a public format to disseminate key learnings from these projects at regular intervals and in 2025-2026 for a final project symposium. A final measurement and verification report will be prepared in 2025-2026 in partnership with the Environment and Energy Division.

The application, disbursement and repayment process for the Taking Action on Tower Renewal Program will follow a similar process to the current High-rise Retrofit Improvement Support Program. Additional requirements will be applied to this new program in terms of the eligibility, energy assessment and technical study, funding, and resident engagement criteria.

Figure 1 illustrates the application process and Table 1 outlines program details for the Taking Action on Tower Renewal Program in comparison to the High-rise Retrofit Improvement Support Program. Full details on the Programs can be found in Attachment 1, the updated program guidelines.

Figure 1: Taking Action on Tower Renewal application process



Table 1: Comparison of Residential Energy Retrofit Programs: Taking Action on Tower Renewal Program and the High-rise Retrofit Improvement Support Program

Criteria	New Program: Taking Action on Tower Renewal Program	High-rise Retrofit Improvement Support Program
Eligibility	Owner of a multi-residential apartment building built before 1990 with 3 or more storeys	Owner of any multi-residential apartment building with 3 or more storeys
	Located in Neighbourhood Improvement Area, low-income census tract, areas with low socio-economic indicators in Toronto	Located anywhere in Toronto
Application	Application documents: Expression of Interest, Funding Request Form, Contractor	Application documents: Expression of Interest, Funding Request Form, Contractor

Criteria	New Program: Taking Action on Tower Renewal Program	High-rise Retrofit Improvement Support Program
	Quotes, Property Owner Agreement, Project Completion Report and Engineer Review, Contractor Invoices, Measurement and Verification Report	Quotes, Property Owner Agreement, Project Completion Report and Engineer Review, Contractor Invoices
	Energy Assessment (American Society of Heating, Refrigerating and Air-Conditioning Engineers Level 2 or above) with additional technical study requirements	Energy Assessment (American Society of Heating, Refrigerating and Air-Conditioning Engineers Level 2 or above)
Funding	<p>Offers low-interest financing and grants, covering up to 80% of the project costs.</p> <p>Initial disbursement of up to 30% of the estimated cost of work in the Property Owner Agreement plus up to \$50,000 for the energy assessment and technical study.</p> <p>Optional second disbursement at 50% project completion for up to 30% of the estimated project costs in the Property Owner Agreement.</p>	Offers low-interest financing covering up to 100% of the project costs.
Retrofit Measures – Level 1 (\$8.0 million)	<p>Retrofit measures must improve resident comfort and reduce emissions.</p> <p>Properties must also meet or exceed property standards.</p> <p>Measures must include at least one of:</p> <ul style="list-style-type: none"> - High efficiency windows - Roof replacement with enhanced insulation - Insulated overcladding - Heat pumps <p>Relevant ventilation improvements must be completed alongside window, roof and overcladding retrofits.</p>	Retrofit measures must demonstrate energy or water savings.

Criteria	New Program: Taking Action on Tower Renewal Program	High-rise Retrofit Improvement Support Program
	<p>Alongside any of these retrofits, relevant upgrades to the building automation system or control systems must be undertaken.</p> <p>Retrofit project must meet, at minimum, 15% energy and emissions reduction to be eligible to receive a grant against the estimated project costs in the Property Owner Agreement.</p> <p>Grant will be provided in the form of loan forgiveness. Grant amounts will be set by apportioning a percentage of the estimated project costs relative to the overall available grant amount received from the Federation of Canadian Municipalities.</p>	
Retrofit Measures – Level 2 (\$5.5 million)	<p>Incorporates all of the requirements of Level 1.</p> <p>In addition, retrofit project must meet a minimum of 30% emissions reduction to be eligible to receive a grant against the estimated cost of work in the Property Owner Agreement and up to \$50,000 in an energy assessment and technical study grant to cover up to 50% of the study cost.</p> <p>Grant will be provided in the form of loan forgiveness. Grant amounts will be set by apportioning a percentage of the estimated project costs relative to the overall available grant amount received from Federation of Canadian Municipalities.</p>	
Engagement	Commit to resident engagement and information sessions throughout the retrofit project.	

Criteria	New Program: Taking Action on Tower Renewal Program	High-rise Retrofit Improvement Support Program
	Implement conservation awareness training for residents through the Tower Renewal Green Champions Program at each building to address the behavioural components of energy efficiency, water conservation and waste diversion. Engage property owners and residents in opportunities for local employment and training.	
Technical Support	Receive in-kind technical expertise and coordination from the Technical Advisory Committee. Enhanced engineering and retrofit implementation support.	
Affordability Protections	Cannot apply for Above Guideline Increase to fund any portion of the project or condominiumize building	Cannot apply for Above Guideline Increase for amount borrowed from the City

Eligibility

The Taking Action on Tower Renewal Program is more targeted than the High-rise Retrofit Improvement Support Program. Eligibility criteria includes rental apartment buildings built before 1990 with 3 or storeys and located in either a Neighbourhood Improvement Area, low-income census tract, or in an area with low socio-economic indicators. This criteria helps target particular older apartment towers in order to improve housing quality for vulnerable residents. Apartment towers built before 1990 house over 500,000 people in Toronto and make up 45% of the city's rental housing stock. Based on 2018 data, rents in apartment buildings built before 1990 are 39% lower than those built after 2000, and 4% lower than Average Market Rent for all of Toronto.

These buildings account for a significant proportion of the de-facto affordable housing stock, however, as these buildings are aging additional capital investment is required. Replacing the towers would be costly and inefficient. Rental revenues are one of the largest contributors to the capital available for retrofits and as a result, property owners of these older buildings are only able to make investments that fit a very limited business case. Often the retrofits that require significant capital outlay and would result in notable greenhouse gas emissions reductions are not pursued. These same retrofits offer critical resident benefits such as improved air quality and thermal comfort.

The remaining eligibility criteria is in line with the High-rise Retrofit Improvement Support program and is outlined in Attachment 1.

Application

The application process is in line with the High-rise Retrofit Improvement Support Program process and has been outlined in Figure 1 as well as Appendix A. There are only a few slight changes which include the review of the application and technical study by the Technical Advisory Committee, the energy assessment and the measurement and verification report. The Technical Advisory Committee will provide technical feedback on each retrofit application submitted to the City of Toronto. This advice will help develop more robust retrofit projects and ensure emissions reduction and energy efficiency best practices are presented to building owners. The Environment and Energy Division will provide recommendations to ensure alignment with recommended actions in the Net Zero Existing Buildings Strategy.

The energy assessment criteria for the Taking Action on Tower Renewal Program will include all of the conditions in the High-rise Retrofit Improvement Support Program and additional minimum technical study requirements outlined in Attachment 1.

Taking Action on Tower Renewal will require access to energy and emissions data from the property. The Environment and Energy Division, in consultation with program staff, will prepare a post-retrofit measurement and verification report that will confirm the energy savings and emissions reductions achieved through the retrofit and therefore, determine the eligibility of the property owner for the grant. Minimum criteria for the measurement and verification report is included in Attachment 1.

Funding and Retrofit Measures

The Taking Action on Tower Renewal Program will offer a combination of financing and grants supported through the Federation of Canadian Municipalities. This funding will flow through the Council Approved Shelter, Support and Housing Administration Capital Budget. Each retrofit will receive up to 80% of the project funding from the Taking Action on Tower Renewal Program. The remaining 20% will be funded through other sources such as utility incentives, the City's Energy Retrofit Loans Program or contributed by the property owner.

The Taking Action on Tower Renewal Program has been further divided into two Levels to maximize the impact of the program. Level 1 will account for \$ 8.0 million of the funding envelope from the Federation of Canadian Municipalities and Level 2 will be comprised of the remaining \$5.5 million. Level 2 will enable property owners to undertake retrofits that reduce emissions and improve resident comfort but may require more significant capital investment. Level 2 will support property owners seeking to complete best in class retrofit projects that will significantly reduce emissions and improve resident comfort without impacting affordability.

The funding disbursement process for Levels 1 and 2 of the Taking Action on Tower Renewal Program will be in line with the existing process for the High-rise Retrofit Improvement Support Program including an initial disbursement and final disbursement. Taking Action on Tower Renewal will also include an optional second disbursement at

50% project completion verified by a qualified professional engineer as outlined in Attachment 1.

An additional step for the Taking Action on Tower Renewal Program will include a grant provided 12 months post retrofit completion and only upon demonstration of the energy and emissions savings target through the measurement and verification report. The grants will then be applied as loan forgiveness through the property tax repayment system.

The Taking Action on Tower Renewal Program will incentivize more capital intensive retrofits such as high efficiency windows, insulated overcladding, and heat pumps which will result in improved tenant comfort. In order to adequately support these projects, the maximum project size needs to be increased. Staff recommend that the maximum eligible funding amount for a property (inclusive of the cost of borrowing and an administrative charge) be increased from the current High-rise Retrofit Improvement Support Program maximum of 10% of the Current Value Assessment of the property to a maximum of \$2,000,000 per building to up to 25% percent of the Current Value Assessment of the property to a maximum of \$5,000,000 per building for the Taking Action on Tower Renewal Program.

The increased costs required to fund more capital intensive retrofits would also put pressure on the participants to provide more capital upfront. A higher initial disbursement and an optional second disbursement at 50% project completion to support contractor deposits and other upfront costs would facilitate participation in the program. Therefore, it is recommended that the eligible initial and second disbursement request specified in the Property Owner Agreement should be increased from 10% of the estimated cost of the work to up to 30% of the estimated cost of the work in the Property Owner Agreement for the Taking Action on Tower Renewal Program.

As part of Retrofit Measures – Level 2 in Table 1, property owners may be eligible for a technical study grant of up to \$50,000 to cover up to 50% of the study costs. It is recommended that this amount be included in the initial disbursement to cover any outstanding payments for the technical study. If the building does not achieve the 30% emissions reductions target, then the grant funding will form part of the Local Improvement Special Charge and will need to be repaid to the City.

Resident Engagement

Resident engagement is a key aspect of the Taking Action on Tower Renewal Program. Participating property owners will be required to develop information sessions and communication packages for residents over the duration of the retrofit. This includes an information session prior to the start of the project, a mid-construction session and a project completion session so that residents are engaged from beginning to end on the upgrade of their building. These information session plans and communication packages will be submitted to City staff for review and approval.

Through partnership funding, a Tower Renewal Green Champions resident conservation awareness team will be developed at each site to help encourage behavioural change on energy efficiency, water conservation and waste diversion as well as build resident capacity and foster community connections.

In addition, both residents and property owners will be engaged on opportunities for local employment and training. Developing these pathways for local workforce development in the green construction sector will be a key outcome for the Taking Action on Tower Renewal Program.

Technical Guidance

A Technical Advisory Committee has been established for the program and consists of a range of stakeholders from industry including engineers, contractors, associations, utilities, non-profits, City divisions and other levels of government. The advisory committee members have been consulted on the program design and members will continue to support by providing in-kind technical guidance on each application and on the program as a whole.

The City's Navigation and Support Services program, offered through the Environment and Energy Division, will be leveraged to provide high-level technical guidance aligned with the Net Zero Existing Buildings Strategy recommended pathways. This will help to ensure best practice decarbonization approaches are explored and support capital planning for future retrofits that avoid locking in carbon.

In addition, enhanced support will be provided to program participants through a Retrofit Implementation Lead position and further external engineering analysis where necessary. This position will support property owners with direct technical guidance and increase program uptake by driving owners from project conception to completion.

Repayment

To mitigate the City's collection risk the Taking Action on Tower Renewal is enabled through the provincial Local Improvement Charge regulation to collect repayment through the property tax mechanism and secure the City of Toronto's financing through the priority lien associated with the Local Improvement Charge. Property owners must be in good standing with the City prior to entering into any Property Owner Agreement. Owners will have 5 to 20 years to repay the low-interest financing and terms of repayment will depend on each project. Each payment scheduled will be tracked by property location with reporting available on a monthly or ad hoc basis.

Communications and Outreach Plan

The Tower and Neighbourhood Revitalization unit will lead the outreach and communications of the Taking Action on Tower Renewal Program. City staff will use multiple approaches including targeted, direct outreach through the City's Sustainable Towers Engaging People Program, securing the Retrofit Implementation Lead, and attending as well as developing industry events and panel discussions. Figure 2 provides a high-level timeline of communications events and the Program process.

The Sustainable Towers Engaging People Program completes detailed walkthrough assessments and benchmarking of 50 older apartment towers annually to identify opportunities for improvement in the areas of energy, water, waste, operations, safety and community. Leveraging this program, staff will conduct targeted and direct outreach to eligible property owners in areas of Toronto with low-socioeconomic indicators. Further, the City's Navigation and Support Services Program and the Enbridge Gas

Conservation Programs will be leveraged to connect with property owners and offer support as well as incentives to complete deeper retrofits.

Figure 2 High-level timeline of communications events and the Program process.



Residential Energy Retrofit Program Changes

In addition to creating a new Taking Action on Tower Renewal Program, this report also asks Council to authorize select changes to the High-rise Retrofit Improvement Support Program. These changes are required to continue encouraging retrofits. This includes enabling further non-profit participation in the Programs and increasing the cap on the Special Charge for the existing High-rise Retrofit Improvement Support Program.

Encouraging non-profit participation has always been important for the Resident Energy Retrofit Programs. There are many non-profit housing providers in the City including social housing and co-operative housing that could benefit from this type of retrofit financing. As a result, properties that have a property tax account but are exempt from property taxes should be able to participate in the program. The approval process for these types of properties is outlined in the program guidelines in Attachment 1.

In the High-rise Retrofit Improvement Support Program, retrofit projects that include high efficiency windows can easily exceed the \$2,000,000 million cap and in this case, property owners may not have enough capital available at that point in time and this puts the entire project in jeopardy. Increasing the current cap on the Special Charge to a maximum of \$2,500,000 from \$2,000,000 for the High-rise Retrofit Improvement Support Program would help alleviate these types of issues and encourage deeper retrofits in the existing program stream.

Next Steps

The Chief Financial Officer and Treasurer, along with Capital Markets Division, is currently working to finalize the documentation process and agreement with the Federation of Canadian Municipalities. Once the Chief Financial Officer and Treasurer signs the agreement, the loan will be counted towards the annual debt issuance authority limit. Disbursement of the debt proceeds will be included in the debenture by-law and approved by the Debenture Committee. The debt charges and debt issuance of the program are subject to the policy debt limits.

Staff will continue to engage the Technical Advisory Committee to refine the program model as well as the communications and outreach plan. The Taking Action on Tower Renewal Program is set to launch in Q3 2021.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Residential Energy Retrofit Program - Multi-Residential Stream Program Design