

## Chief Executive Officer's Report

Date: April 12, 2021  
To: Board of Directors of the Toronto Atmospheric Fund  
From: Chief Executive Officer

### **GOVERNANCE MATTERS**

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#### **Risk Register**

Summarized below are the organizational risks assessed by staff to be of note as of March 2021 and the related actions that have been taken to mitigate them.

- Financial risk – a significant capital market downturn. TAF is in compliance with the asset allocations set out in the investment policy and is continuing to move the Ontario and Canada endowments towards the target portfolio, which includes increasing the allocation to direct investments. Although marketable securities continue to increase in value, volatility can be expected and action has and will continue to be taken to realize some gains from the equities portfolio and re-balance among the managers to mitigate potential risk associated with manager concentration. Challenge to advancing RPIA investment intended to diversify fixed income portfolio being addressed through SIOP amendment.
- Financial risk - a direct investment under-performs. One direct investment continues to be affected by Covid-related delays, and recovery arrangements are ongoing for two others.
- Financial risk – TAF mismanages its finances. TAF's Finance team to work with the Grants and Impact Investing teams to better predict and account for cash flow needs; Finance and Impact Investing to clarify TAF's policy on reserves for doubtful accounts.
- Operational risk – TAF experiences an IT disruption. More sophisticated accounting software will be onboarded in Q2. No disruptions have been experienced other than routine hardware malfunctions.
- Operational risk – Staff capacity and/or governance capacity are inadequate to deliver on TAF's mandate. Departure of Stakeholder/Client Relations left a gap on RDC team, but without external funding in-hand, staff determined that filling the planned Project Management position first would mitigate capacity-related risk. TAF and City colleagues have agreed to advance updates to TAF's governance this year which requires significant time from CEO and Director, Strategy & Grants.
- Operational risk – TAF's activities give rise to legal liability or litigation. Staff do not currently see any significant legal exposure for the organization. TAF has formed a Joint Health and Safety Committee with Jaime Klein and Keith Burrows elected as

inaugural members; the Committee will hold its first meeting in April and undertake its first of two initial training sessions in May.

## **Agreement-Related Matters**

### **TO/TAF Agreements**

Updates to the TAF/City Relationship Framework and TAF's By-Law are under discussion. The Investment Committee (IC) recommended and the Board approved amendments to the Statement of Investment Objectives & Principles (SIOP) in October 2019 and February 2021; the latter to meet the requirements of the Canada funding agreement. Last month the Investment Committee discussed several additional amendments, including related to governance – creation and authority of a direct investment committee or subcommittee, the duties of the Investment Committee regarding direct investments -- and refinement of the asset classes. City of Toronto colleagues have provided input and will provide direction and/or drafting later this month. Amendments will be presented to the IC in June and brought to the July 6 Board meeting for approval as a re-worked package.

### **ON/TAF/TO Transfer Payment Agreement (TPA)**

Based on discussions with Ontario colleagues, adjustments will be made in the 2020 Audited Financial Statements to address two issues identified regarding the accounting for the Ontario fund, and a definition and protocol for account for administrative expenses is under consideration. To the best of my knowledge, this confirms that TAF is in compliance with the terms of the Transfer Payment Agreement with the Province of Ontario.

The annual TPA report will submitted by April 30.

### **FCM/TAF/TO Funding Agreement (FA)**

Updates to the SIOP for compliance with the FA will be part of the package mentioned above, which would hopefully be presented for Council approval at their September meeting.

TAF's first annual report to FCM is due on May 31.

## **STRATEGIC PROGRAMS & OPERATIONS**

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### **Staff News**

We are excited to welcome three new TAF team members! The Impact Investing team has grown with the addition of Ariel Sharir as Impact Investing Analyst. A recent graduate from the Ivey Business School at Western University, Ariel will work with the impact investing team to provide due diligence, monitoring, and reporting on innovative companies and technologies that reduce carbon emissions in urban settings.

To support our mandate and increased levels of climate policy activity at levels of the government, we are happy to welcome Margot Whittington as Climate Policy Analyst.

Joining the team May 3, Margot will work to explore, analyze and help advance implementation of policy solutions.

There has been some turnover on the retrofits team this year. Devon Calder—our resident heat pump expert—has decided to pursue a career opportunity outside of TAF. Although we are sad to see him go, we wish him well in his new role. We have posted for a new [Project Management Lead](#). We recently hired an excellent new Building Environmental Researcher, replacing Hamza Zaheer who left the team in January. Starting on April 26, Elli Shanen will provide technical support for TAF's projects related to improving energy efficiency and indoor environmental quality.

TAF staff continue to work remotely. We are following the guidance of the City Manager, and will plan our return to the office when it is safe and prudent to do so. Engagement and productivity remain strong, and we look forward to gathering outside in person if the weather and guidelines make this possible over the summer months.

## **Accelerating Retrofits in the GTHA**

The transition from the TowerWise retrofit demonstration program to large scale deep retrofit delivery continues, including rebranding the program to succinctly communicate our vision and goals; we'll have more to share soon!

The two [Green Infrastructure Fund](#) funding expressions of interest that TAF helped to develop were both accepted, and the team worked with Region of Durham and Toronto Community Housing to develop and submit full applications for a total of \$4.3 million toward deep retrofits of five multi-residential buildings. TAF was also asked to provide advisory and knowledge sharing support for a City of Toronto proposal to the Green Infrastructure Fund for a deep retrofit challenge competition.

We're kicking off work on the retrofit with Hollyburn Properties on a 59-unit apartment tower located at 445 Eglinton Ave East which will involve various measures including installation of [innovative packaged heat pumps](#) for heating and cooling and a new gas absorption heat pump for domestic hot water. The team is also developing an RFP for the Integrated Project Delivery (IPD) for the retrofit of a 175-unit townhouse complex with Toronto Community Housing; a key outcome will be improvement of the integrated delivery model we've developed during our 10+ years of retrofit work.

We know from experience and study that heat pumps are a proven way to reduce emissions and improve comfort for residents in multi-residential buildings—even in our cold Canadian climate. We want to get the word out about this key heating and cooling technology and created this [myth-busting video](#) with footage from our recent retrofit of TCHC's townhouse complex at 66 Walpole Avenue. Please watch and share!

## **Electrification of transportation**

A decision is expected imminently for TAF's \$2 million funding proposal to Natural Resources Canada's Zero-Emission Vehicle Infrastructure Program. Should it be approved, TAF will act as a "delivery organization" and support the deployment of at

least 300 connected electric vehicle (EV) chargers across the GTHA, with a particular focus on projects located in underserved areas such as on-street and multi-unit residential buildings (MURBs). Other options focused on accelerating deployment of EV charging will be pursued if the proposal is not accepted, and there is a further funding window later in the year. A program allocation request has been made to support either approach.

In addition, TAF has retained Polaris Strategy + Insight to consult with a range of influential stakeholders and develop a strategy for accelerating the uptake of personal EVs and the phase-out of internal combustion engine (ICE) vehicles in Canada. The strategy will identify the range of relevant activity currently underway, the gaps to be filled, and the organizations best placed to fill these gaps. The strategy is due for completion in June and will be presented to potential funders in an effort to resource its execution.

### **Carbon & Co-benefits Quantification**

The third annual [carbon emissions inventory for the GTHA](#) – titled Reality Check – was launched on Mar 2, 2021. The report on 2018 emissions revealed an increase of 5.2% over the previous year, reaching 56 megatonnes. The report was distributed via social media, to 300 GTHA municipal stakeholders and to our 4,000 subscribers. Earned media coverage included an interview on CBC Radio The World at Six, articles in the Toronto Star, Hamilton Spectator and other papers, plus a Smart Prosperity Institute podcast and articles in various ENGO newsletters. TAF staff presented the inventory results at the Durham Region Climate Change Committee, Burlington City Council, and the Climate Reality Project. TAF's webinar – From Alarm to Action – which included four excellent panelists, was attended by over 150 participants from the GTHA and across the country.

### **Climate Policy**

TAF and our Clean Fuel Standard Advocates contributed to the first step in the Clean Fuel Standard (CFS) regulatory process -- Canada Gazette I -- and final regulations are expected in Q3 or Q4 of 2021.

The Federal Government is engaging with stakeholders to develop a Zero Emissions Vehicle Supply policy and a submission will be developed for the end of April. TAF made a second -up submission to the Department of Finance via Budget Submission process to elaborate on the need for and approach to accelerating deep retrofits.

The Ontario Government and the Ontario Energy Board have held consultations on a potential Hydrogen Strategy, the value of Distributed Energy Resources, and the Budget, and TAF input has focused on the carbon reduction potential in the GTHA as well as for multiple benefits including health and job creation.

TAF's input to the City of Toronto Budget highlighted the importance of maintaining planned funding levels for implementing the Transform TO climate plan. Staff have been engaged on the advisory committee for developing an existing buildings policy strategy which is expected to come to Council in Q2 2021.

Our work to advance Green Development Standards is gaining traction in Peel, Durham, York, and Halton Regions. For instance, with the Clean Air Partnership, TAF presented to Peel's Climate Change Steering Committee, including over 30 people from the municipalities in Peel, the Region and Toronto and Region Conservation Authority.

## **Impact Investing**

Two financing requests were presented to the Investment Committee and recommended to the Board (included in this package). A previously approved transaction is progressing to complete the conditions. Transaction origination prospects are consistently incoming, supporting the realization of syndicated investment opportunities and strengthening our strategic relationships.

In February, TAF hosted our first impact investing match-making event, [Generate](#) with the objective of generating new investment leads, develop co-investor relationships, and engage the impact community to mobilize more capital in low-carbon solutions. About 50 investors, 12 cleantech companies, and a group of industry advisors and potential end-users for low-carbon technologies participate and almost 90% agreed the event successfully matched cleantech entrepreneurs with investors and advisors. TAF gained three to four solid leads for investment, and we grew our newsletter and LinkedIn target audiences by 126 and 117 subscribers respectively. This approach will be evaluated to determine if it should be repeated. With the support of the communications team, we are working on a marketing strategy targeted at the transportation sector.

## **Grants – summary of completed Grants)**

### **Regional Municipality of Durham - *Durham Deep Retrofit Program***

\$68,030 over six months

Approved by TAF Board in February 2020

The purpose of this grant was to support the Regional Municipality of Durham to design a residential home retrofit program for Durham Region, and to develop a multi-year implementation plan based on market analysis and input from target audiences and key stakeholders. This program supports Durham Region's long-term objective of retrofitting all existing residential buildings in the region by 2050.

The grant funds were used to hire consultants, Dunsky Energy Consulting, who produced the *Residential Deep Retrofit Program Design* report. The report outlined:

1. Technology-specific uptake projections and recommended strategies to secure increased uptake;
2. Estimated program-wide benefits including carbon emission reduction, job creation, and public health outcomes;
3. A program partnership framework between Durham Region and key stakeholders, based on findings from interviews and consultation with potential program partners;

4. A draft program design including financing offers, governance models, and budgets.

A summary of the *Residential Deep Retrofit Program Design* report was presented to the Durham Region Roundtable on climate change, Durham Region Finance and Administration Committee and Durham Region Council, who unanimously endorsed the program design in June 2020. Presentations were also delivered to mobilize lessons and support knowledge transfer to other municipal councils and relevant audiences through partnerships with the Federation of Canadian Municipalities (FCM), Efficiency Canada, and Clean Air Partnership. The project team has submitted a request to FCM to secure necessary funds to officially launch the retrofit program, and has committed to keeping TAF and other stakeholders informed on lessons learned as the program is launched and operational.

#### **Passive House Canada - Zero Emissions Buildings Exchange Concept Development**

\$40,000 over eight months

Approved by TAF Board in May 2020

Grant funding from TAF enabled Passive House Canada (PHC) to engage a diverse range of industry, government, educational, and non-profit stakeholders to gauge interest in and demand for the establishment a Zero Emissions Buildings (ZEB) Exchange in the Greater Toronto and Hamilton Area (GTHA), which would support local municipalities in meeting their building-related carbon reduction and economic development objectives. Through virtual meetings, focus groups, and surveys these stakeholders also identified potential programming priorities and partners for the ZEB Exchange. In addition to engaging local stakeholders, PHC also consulted with organizations leading similar programs in other jurisdictions such as Vancouver, New York, and Brussels. This information was used to develop a recommended governance structure and staff resource needs for a ZEB Exchange in the GTHA.

The findings from these best practice research and stakeholder engagement activities are summarized in a [Concept Development Report](#), which was submitted to TAF in February 2021. The report notes a strong level of market readiness and demand among GTHA stakeholders for the coordinating and convening services of a ZEB Exchange, makes the case a ZEB Exchange is a viable and needed resource to catalyze market transformation in the GTHA's building industry by coordinating multiple ongoing efforts related to workforce development and training, supply side management, and regulatory design. PHC aims to leverage this report to generate funding to further develop and eventually launch a ZEB Exchange. TAF has indicated interest in participating in these conversations.

## **CONTACT**

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## **SIGNATURE**

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