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STAFF REPORT INFORMATION ONLY

Date:	September 9, 2016
To:	Toronto Atmospheric Fund Board of Directors
From:	Julia Langer, CEO
Re:	Chief Executive Officer's Report

GOVERNANCE & ORGANIZATIONAL MATTERS

Provincial endowment

As directed by the Board, TAF and City staff has concluded negotiation of a Transfer Payment Agreement with the Province of Ontario (Ministry of Municipal Affairs) which is in keeping with the terms approved in principle by the Board. As requested by the Board, this is being taken forward by the City Manager for Council approval at its meeting of October 4/5, 2016. Thanks are due to our City colleagues for their support, due diligence and expertise, and for the collegiality of MMA colleagues as we worked through this unique and complex agreement. Once the TPA is signed, TAF's Auditor will be conducting a review – an audit without the third party confirmations -- to assess the Net Asset Value of TAF's current endowment to inform TAF's proportional allocation of expenses shared among the Provincial and City endowments. An assessment of the value of each of the two endowment funds will be a feature of subsequent Annual Audited Financial Statements. Subsequent to the signing, we will also be seeking permission to create a line of credit supported by the new endowment, to support TAF's planned regional program development expenses. We are looking forward to launching GTHA-wide work informed by our strategic research and development of a region-wide GHG inventory.

Staff news

I am pleased to announce that Jimmy Lu is taking on a new role as TAF's GHG Quantification Manager. Jimmy has been the TowerWise Co-ordinator for two years, providing expert engineering review of energy efficiency retrofit plans, as well as anchoring TAF's leading-edge GHG quantification work (and earning him the nickname Captain Crunch). He will now focus on the quantification work, including the effort to understand region-wide GHG emissions and trends as we ramp up work with the new provincial endowment. Jonathan Morier, who started as an Intern and has since been supporting the TowerWise indoor air quality work and TCHC retrofit, is being promoted to replace Jimmy as TowerWise Coordinator, continuing his excellent hands-on project and stakeholder relations work, as well as developing retrofit case studies and undertaking other research and analysis tasks. Sandra Dedesko has joined the Building Value team for a three-month term to provide technical

support for the development of a web-based tool that will allow municipalities, businesses and others to calculate the multiple benefits of energy efficiency retrofits.

RFP for equities manager(s)

Proteus Performance Management, TAF's third-party investment advisor, has issued an RFP on TAF's behalf seeking proposals from public market equities managers with proven performance and environment, social and governance (ESG) approaches. A Selection Committee has been appointed including three Investment Committee members (including one Board member) and a representative of the City of Toronto CFO.

Progress on 2016 Business Plan

Staff have conducted a mid-year check-in to determine overall progress against our 2016 Business Plan which was approved by the Board in February. The plan sets out nine key projects and objectives -- Accelerating Energy Efficiency, Low-Carbon Finance Innovation, TransformTO, Advancing Policy Game-changers, Strategic Grantmaking, Knowledge-Transfer, Corporate Communications, Fundraising, and Governance & Management -- and spells out a total of 54 separate activities to achieve them. We can say with confidence that 24 are complete; about half of these activities ongoing, for instance work on Ontario's climate change plan and communications. Nineteen (19) are mostly or partially complete, and we have a good sense of completion dates for these. A few (5) are not complete, either because we just got started or there are challenges to address and a few (6) have been deferred based on workload and priorities or to re-frame the activity. This assessment allows us to focus in on activities that need further attention and will help in crafting our 2017 Business Plan.

STRATEGIC PROGRAMS

TowerWise

Retrofit implementation at the seven Toronto Community Housing buildings has passed the one-third milestone with over \$1.2M of work implemented across the seven sites. Completed construction measures include toilets (all sites), indoor lighting (two sites), and boiler room retrofits (one site). TAF is expecting to complete all interior and exterior lighting work as well as the installation of gas absorption heat pumps by the end of the month.

A peer-reviewed study by University of Toronto and TAF on indoor air quality was presented and well-received at the ASHRAE 2016 Annual Conference in June. Key results presented showed that the main cause of thermal discomfort was overheating which could be addressed by mechanical retrofits targeting the building's heating load.

Ekaterina Tzekova, TAF's Building Research Manager participated at CMHC's invitation-only affordable housing consultation. Our discussion paper outlining a new approach to financing retrofits in the non-profit sector that would use public funding strategically to maximize carbon reduction, leverage private capital, provide finance rather than grants from 'commercial' measures, and provide grants for long-term, deep reduction measures was well-received. TAF was also invited to present at the German Best Practice Award Showcase in June 2016 and served as a jury member. TAF is a member of the Canada Green Building Council working group focused on development of a net zero building performance strategy and has provided comments on the Community Centre Challenge White Paper outlining best practice targets to achieve energy conservation in community centers.

Impact Investing

TAF has started selling portions of our portfolio of energy efficiency retrofit transactions to parties interested in adding impact investments to their portfolios, but don't have the internal capacity to originate and undertake the investment process themselves. TAF will always keep a minimum of 20% of each transaction, and TAF or Efficiency Capital Corp. will provide the ongoing management and administration. The first sale completed is to the Ivey Foundation, and discussions are underway with other Foundations and accredited investors. The funds will be re-deployed into other direct investments.

Ontario has announced that approximately \$900 million in funds from the cap & trade program will be dedicated to supporting energy efficiency in the social housing and apartment sectors, and the federal government has dedicated funds to retrofit/renewal in the former. TAF has outlined approaches for deploying this capital in a manner that maximizes GHG reduction and mobilization of private capital in this space. A mechanism and offer for how to match up this public funding with TAF ESPA financing to achieve comprehensive retrofits has been circulated to social housing managers in the GTHA.

Efficiency Capital Corp. (ECC), the company incubated by TAF and licensed to use our Energy Savings Performance Agreement (ESPA) to finance retrofits, has hired a full-time CEO to help drive the business; Matt Zipchen helped take SolarShare from concept to a successful community energy developer and has a strong background in the buildings sector. ECC has two retrofits underway, has developed an 'introductory' ESPA focused on deployment of specific retrofit measures in a building, and has an impressive pipeline of projects developing. Discussions are underway with the ECC investors regarding progress and additional investment, recognizing that the sales cycle for retrofits is intensive and long. Both TAF and ECC are working to streamline and speed this up by addressing clients understanding of the business case and how the ESPA addresses their challenges and risks.

To diversify our Direct Investment portfolio, TAF is exploring opportunities to invest in companies with goods and/or services related to energy efficiency, transportation and waste management – urban sources of GHG emission -- which are proven but not, or not extensively, deployed locally. We are looking at approximately six such potential transactions, are developing relationships with others who may be 'channels' to such companies, for instance through foreign trade commissions, universities and other investors, and will also explore partnerships which will facilitate the intensive due diligence needed for such transactions.

TransformTO

The recently released [TransformTO Community Engagement Report](#) provides a summary of community ideas received from almost 2000 residents through multi-faceted community outreach undertaken between August 2015 and July 2016. Key community actions identified include: increased energy efficiency in buildings; better public transit; complete, dense and walkable communities; urban agriculture and farming; education on sustainability and climate change; and zero waste. A social media campaign focused on these ideas will be launched this month.

The TransformTO modelling consultant, SSG, has now assembled Toronto-specific data for a comprehensive GHG model and will be providing preliminary modelling results for “Business as Planned” projections for 2020 and 2050 timeframes in September, along with a draft of the actions to achieve a 30% reduction by 2020. The draft plan will be vetted and refined by an inter-divisional city staff team to create the proposed 2020 Action Plan – the first key deliverable of TransformTO. This Plan, along with an interim report on TransformTO activities, will be provided to the Parks and Environment Committee in November and to City Council in December.

On July 19, TAF and the Environment and Energy Division of the City of Toronto hosted a half-day meeting with the TransformTO Modelling Advisory Group (MAG). The MAG is made up of 36 subject matter experts representing multiple organizations and disciplines in Toronto, including City Staff from 10 different divisions and 26 community members. The MAG was convened to help develop, refine and analyze TransformTO's modelling process and to develop recommendations for Toronto City Council. During this first meeting, the MAG advised us to: i) ensure that TransformTO modelling is undertaken with a “big picture” in mind, including links with provincial and federal climate plans and alignment with other GTHA communities; ii) make TransformTO relevant to diverse constituencies by gaining an understanding about how carbon reduction affects a broad suite of other issues that are important to Torontonians; and iii) recognize the limits of the model and ensure these are acknowledged, and wherever feasible, take steps to continuously improve the model's capacity to support good decision-making information. Two more in-person meetings of the MAG are planned for January and March 2017, with interim activities supporting MAG participation in technical model review and multi-criteria analysis exercises.

Move the GTHA

On August 16, a report co-developed and produced by Move the GTHA was released. [Are We There Yet?](#) focuses on transit investment in the Greater Toronto and Hamilton Area, highlighting a \$28.8B gap in funds needed to finish building the rapid transit projects in The Big Move regional transportation plan, plus growing unfunded operation and maintenance costs projected to grow to \$4.6B annually by 2042. The report received substantial public attention, including a [Toronto Star feature](#) article. Members of Move the GTHA are meeting with Metrolinx staff to discuss the report's findings. The report will form the basis of a public outreach campaign to draw more attention to the need to discuss new funding mechanisms to support public transit.

Building Value

TAF, along with Building Value partners Pembina Institute, Association Québécoise pour la Maîtrise de l'Énergie and Canadian Energy Efficiency Alliance, co-developed [a national action plan](#) for accelerating energy efficiency in the buildings sector. The letter, signed onto by 11 organizations including Architecture Canada, BOMA Toronto, and the Council for Clean Capitalism, was submitted relevant federal departments and released publicly. It has gained considerable media coverage and resulted in a meeting with federal policymakers from Natural Resources Canada, Finance, and the Privy Council Office to discuss how to operationalize the recommendations.

As part of the Building Value Initiative, TAF has been selected to host a session at QUEST 2016 featuring leading energy efficiency programs like Toronto's Home Energy Loan Program and Ontario's Energy Benchmarking and Reporting for Large Buildings.

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