

### **Toronto Community Housing Corporation Multi-Building Energy Retrofit Financing Request**

**Date:** March 8, 2017  
**To:** Budget Committee  
**From:** Chief Corporate Officer  
**Wards:** All

#### **SUMMARY**

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Toronto Community Housing Corporation (TCHC) has been allocated \$28,346,298 in grant funding through the Social Housing Apartment Retrofit Program (SHARP) to reduce greenhouse gas (GHG) emissions from their buildings. The funding must be utilized by March 2018.

TCHC has proposed using the SHARP grants to fund approximately 45% of a comprehensive \$63,585,542 deep energy retrofit project at nine of their buildings to reduce GHG emissions and combat rising utility costs. Through the City's Sustainable Energy Plan Financing (SEPF) program, TCHC has requested a low-interest repayable loan of \$35,239,244 to fund the remaining 55% of the project.

The purpose of this report is to seek Council approval to adjust the 2017-2026 Council Approved Capital Budget and Plan for Facilities Management, Real Estate, Environment & Energy (FREEE) to include \$35,239,244 in added 2018 cash flow for the Sustainable Energy Plan project that will be funded from debt repayable by the TCHC, utilizing energy savings generated from the proposed energy retrofit project. This report requires consideration in advance of the 2018 Budget process due to TCHC's requirement to finalize project scope by May 2017. This will allow TCHC to meet the March 2018 deadline for SHARP spending. SEPF funds will be disbursed in multiple installments throughout 2018 contingent on the completion of significant pre-determined milestones.

#### **RECOMMENDATIONS**

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##### **The Chief Corporate Officer recommends that:**

1. City Council approve an increase to the 2017-2026 Council Approved Capital Budget and Plan for Facilities Management, Real Estate, Environment & Energy (FREEE) of \$35,239,244 in 2018 cash flow commitments for the Sustainable Energy Plan project, funded from recoverable debt for the purpose of providing an 3.7% interest bearing recoverable loan to TCHC to be repaid to the City over a term of 20 years.

2. City Council authorize the Chief Corporate Officer to enter into an agreement with TCHC for a \$35,239,244 SEPF loan on terms and conditions satisfactory to the Chief Corporate Officer and in a form satisfactory to the City Solicitor.

3. City Council authorize the Chief Corporate Officer to release funds to TCHC in multiple installments, each contingent on the completion of significant pre-established milestones.

## **FINANCIAL IMPACT**

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TCHC has been allocated \$28.3 million in grant funding through the Social Housing Apartment Retrofit Program (SHARP) to be utilized by March 2018 to reduce GHG emissions. This will be used to fund 45% of total expenditures of \$63.6 million for a comprehensive deep energy retrofit project at nine of their buildings to achieve this objective and combat rising utility costs.

It is recommended that the 2017 – 2026 Approved Capital Budget and Plan for FREEE be increased by \$35.2 million in 2018 cash flow to fund the remaining 55% of the cost for the comprehensive deep energy retrofit project. This added capital investment will be funded through debt that will be recovered from the issuance of a 3.7% interest bearing Sustainable Energy Plan Financing (SEPF) loan to TCHC for this initiative. The SEPF loan represents a sizable increase in relation to the overall size of TCHC current financing and increases the City's exposure to this entity by close to 50%.

Total cost savings arising from this project is estimated at \$57.5 million (or \$1.931 million per year over the maximum repayment term of 20 years) with annual growth expected based on an electricity price increase of 4.0% annually. In order for the SEP loan to be repaid, an annual payment of \$2.525 million will be required. Given the savings / recoverable debt portion of the project make up only 76% of the payment, TCHC would be required to provide an extra \$0.594 million to meet the required annual payments to the City for loan repayment.

The benefits anticipated to be realized through this investment include 5,342,212 ekWh of energy savings; 1,303 kW in demand reduction; 3,536 tonnes of CO2 emissions reduction; and approximately \$41.0 million reduction against the previously unfunded backlog of capital repairs.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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At its meeting of January 15 and 16, 2013, City Council adopted Report EX27.1aa entitled "Repurposing of the Sustainable Energy Funds and New Funding Model for City Energy Projects"

<http://www.toronto.ca/legdocs/mmis/2013/ex/bqrd/backgroundfile-54907.pdf>

## COMMENTS

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TCHC has applied to the City for a SEPF repayable interest bearing loan in the amount of \$35,239,244 at the City's cost of borrowing (recoverable debt). The loan will be used to finance 55% of a comprehensive energy retrofit at nine (9) sites, as described in TCHC's submission.

Staff of the Environment and Energy Division (EED) have reviewed the application and approved the submission from a technical perspective. Corporate Finance Division, Capital Markets, has reviewed the application and approved the submission from a financial perspective in which security was recommended. Based on the submission from TCHC, the term of the interest-bearing loan will be 20 years.

Toronto Community Housing Corporation will repay the funds to the city in accordance with the repayment terms of the Loan Agreement, regardless of the energy cost savings realized. The project is expected to yield the following results: Estimated annual savings of approximately \$1,930,000; 5,342,212 ekWh of Energy Savings; 1,303 kW demand reduction; 3,536 tonnes of CO2 emissions reduction per year. A third party consultant will be contracted by TCHC to develop and implement a Measurement and Verification Plan to monitor utility consumption and savings. All reports will be made available to the City.

The City of Toronto will continue to support energy conservation and GHG reduction projects to ensure the benefits are shared across all neighbourhoods. Access to low-interest financing will assist to address financing barriers that disproportionately impact neighbourhoods from taking climate change action

## CONTACT

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## SIGNATURE

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Josie Scioli  
Chief Corporate Officer