

Chief Executive Officer's Report

Date: October 25, 2019
To: Toronto Atmospheric Fund Board of Directors
From: Chief Executive Officer

GOVERNANCE AND ORGANIZATIONAL MATTERS

Board and Committee Membership

We are honoured to welcome our newest Board members – Parminder Sandhu will serve as Chair of the Board; Laurel Atkinson; and Deepak Ramachandran – who bring a wealth of expertise related to TAF's mandate, impact investing and grantmaking. The process of recruiting an 11th Board member who is not a Toronto resident and resides in the Greater Toronto and Hamilton Area is underway with the goal of Council appointment in December.

Appointments to the Investment and Grants and Programs Committees are included in separate reports.

Staff and Organizational News

Fatima Crerar will be joining us as VP, Partnerships & Strategy on an interim (18-month) basis. She brings nearly 20 years of experience in developing and leading strategies, programs and ventures related to achieve social and environmental impact including with ecobee, PUBLIC Inc., and Summerhill Group.

Mary Pickering is on special assignment for up to 18 months as Senior Advisor, Low Carbon Cities Canada (LC3), funded by a service contract with the Federation of Canadian Municipalities. She will provide organizational development assistance to the six new LC3 Centres, support creation of shared key performance indicators for LC3, and help establish the National Office that will support LC3. Mary will continue to work for TAF one day a week.

Tracy Haynes, Manager of Investor Partnerships, is tasked with attracting co-investors and supporting the syndication of relevant direct investments. She has extensive experience in coordinating the involvement of multiple stakeholders in municipal projects in Australia and recently completed MBA at the Schulich School of Business.

Katrina Brain, Communications Coordinator, will grow TAF's engagement with key audiences. Her Masters of Science Communication (Imperial College London) and Bachelors of Knowledge Integration (U Waterloo) really raise TAF's level of expertise.

Prior to joining TAF, Katrina worked as a communications intern at the UK Parliamentary Office of Science and Technology.

Recruitment of several staff positions is underway including: a Grants Manager who will lead all aspects of grant making including proposal intake, coordination of evaluation, contracting, and ongoing engagement with grantees and their projects; a Senior Manager, Policy who will identify policies to accelerate decarbonization in the GTHA, develop recommendations, and lead the preparation of policy submissions; and a one-year contract to fill the Impact Investing business development role as Nicole Leite will be taking a leave to earn a prestigious MBA at INSEAD in Singapore.

Business Plan for Direct Investments

With input from the Investment Committee and other stakeholders, we have revised our investment thesis and 'strike zone' to attract investees and co-investors and achieve more impact. The focus on investing in buildings (including deep retrofits, efficiency equipment, electrification of heating, renewable gas, district systems) and electrification of transportation established in our Strategic Directions provides ample opportunity for generating both financial and environmental ROI, and scaling investment in low-carbon solutions. [The financing section of the website](#) has been updated to reflect our approach.

TAF/City of Toronto Relationship Framework

Discussions are underway, coordinated by the City Manager's Office, to update the 2013 Relationship Framework to incorporate requirements relevant to the TAF/City/Ontario Transfer Payment Agreement and the agreement with FCM regarding the Government of Canada endowment once it is finalized; entrench Council's more recent requirements (for example Board membership) and other administrative changes (for instance remote/electronic participation); and address several aspects in keeping with good governance. I will be seeking Board members' perspectives over the next few months as we discuss options and preferences with City colleagues.

2020 Budget

TAF's proposed 2020 Budget has been submitted to the City and will be submitted to the Board for approval in February. Note that TAF's budget has a net zero impact on the City's Budget. The key revenue drivers of the budget include: a conservative assumption that the new Federal endowment won't be received until Q3 and only generate returns in Q4; modest growth of the Direct Investment portfolio; and the same returns on the marketable securities as projected for the past three years (5.5%). Expenses are aligned with revenues and include: three new positions (bringing the total to 13, not including term contracts); the same grants budget as 2019; increased allocation to program implementation; modest incremental operational costs; and repayments of the first FCM loan and Toronto endowment advanced to kick-start the Federal endowment program. Total "administrative" costs remain under the 20 per cent best practice guideline for non-profits. A downside case has been modelled for both revenues and expenses recognizing evolving market conditions. The bottom line: revenue and expense of \$4.45 million, with \$894k in non-cash revenue/expense for direct investment reserves.

Compliance with Transfer Payment Agreement

This confirms that TAF is in compliance with the terms of the Transfer Payment Agreement with the Province of Ontario.

STRATEGIC PROGRAMS

TowerWise

Construction at Toronto Community Housing's 66 Walpole Avenue site—the first site in the Accelerating Deep Energy Retrofits (ADER) program—begins at the end of October. The design process identified five key measures for the retrofit that would allow us to reach our goal of a 40 per cent reduction in carbon emissions: cold-climate air-source heat pumps (ASHPs), occupancy sensing thermostats, low-flow toilets, heat pump domestic hot water heaters, and replacement of the original windows (windows will be done as a second phase). The retrofit will allow residents to better control their comfort throughout the year while allowing them to significantly reduce their hydro bills in the winter. The ASHPs will also provide highly efficient summertime cooling and dehumidification, protecting vulnerable residents from the effects of increasingly frequent extreme heat events.

Walpole was also the site of two successful events over the past quarter. FCM held a media event to announce the \$5.75M Green Municipal Funding which is supporting this and other TowerWise demonstration projects. Speakers at the event included the Mayor, the local councillor, the local MP, and the CEO of Toronto Community Housing. The project partners also hosted a BBQ launch party for the residents of 66 Walpole on September 13. Over 135 residents attended, along with staff from all three organizations and the local City Councillor. The event was a celebration of the upcoming retrofit project and an opportunity to share information with residents and answer their questions. It was a festive, family-friendly event, with much laughter, music, face painting and even a little dancing. Residents are unquestionably excited about the project—especially the prospect of efficient air-conditioning for the increasingly warm summer months.

TAF also published comprehensive case studies on completed retrofits of the [Arleta Manor](#) and [RJ Smith Apartments](#). These case studies reveal that not only can efficiency retrofits save energy and reduce emissions, but they can also significantly improve comfort and health for residents while providing an excellent return on investment. The case studies have been well received and have generated renewed interest in these projects. TAF will be hosting a tour of the Arleta Manor retrofit site on November 13th.

Policy Development

Over the past quarter TAF has participated in a number of policy consultations and engagement processes including:

- HousingTO 2020-2030 Action Plan (ongoing)
- IESO's Integrated Regional Resource Plan for Toronto Region
- Toronto Electric Mobility Strategy
- Regional of Peel Electric Vehicle Strategy (ongoing)
- Federal Clean Fuel Standard Proposed Regulatory Approach

- Ontario Energy Board post 2020 Demand Side Management Framework
- Ontario Energy Board consultation on Distributed Energy Resources (ongoing)

TAF is on the advisory committee for the development of the City of Toronto's Existing Buildings Policy Strategy.

The Dan Leckie Forum, an event series hosted by TAF using a small *in-memoriam* endowment provided by the Leckie family, will be held in December to build consensus on the heating electrification pathway of Canada's emerging Clean Fuel Standard. TAF and our partners, with support from The Delphi Group, will use the consensus recommendations to inform the next phase of consultations with the Federal government.

Climate Action Plans and Co-Benefits

The Peel Community Climate Change Steering Committee was created in 2009 to further community resilience with respect to climate change, recognizing that climate change cannot be addressed by one body or level of government, but rather requires coordinated and collective action to have a significant and sustainable impact. Members include senior representatives from City of Brampton, City of Mississauga, Credit Valley Conservation Authority, Region of Peel, Toronto and Region Conservation Authority, and Town of Caledon. TAF was invited to co-design and facilitate a review of this long-standing partnership to consider ways to improve its outcomes.

TAF was also invited by Youth Challenge International to mentor a group of youth climate action leaders working to engage community members in Brampton. TAF co-ordinated an evening event allowing youth leaders to meet five senior leaders in Peel Region to discuss ways to engage more youth in shaping local municipal climate strategy. The resulting initiative, called [Climate ChangeHers](#), is now active in the region.

TAF was invited to participate in the development of the City of Mississauga's Climate Action Plan. TAF held several meetings with staff and participated in a half-day stakeholder workshop. The Climate

GHG emissions inventories. TAF will continue to participate in discussions with City of Toronto Environment & Energy Division staff to improve how the impacts of local emission reduction actions are assessed and used to learn and inform future interventions; a [recent blog](#) provides some detail. We recently updated our [emissions quantification methodology to update emissions factors based on the most recently available data](#).

TAF provided a roundup of [the many climate emergency declarations adopted throughout the GTHA](#), and welcomed the [City of Toronto's declaration](#) of a climate emergency with some analysis of where accelerated action will be needed. Notably, adopting a net zero target by 2050 (or 2040 if deemed feasible), means no residual emissions from buildings as in the TransformTO plan.

Impact Investing

TAF announced – with our first “Carbonstone” – an [investment of \\$1.15 million](#) in a \$6.45 million project that will reduce carbon emissions by approximately 111,000 tonnes over 15 years, demonstrate the viability of producing renewable natural gas (RNG), and help establish policies to speed RNG adoption. The project, led by Oakville-based BerQ RNG, involves installing and operating refining equipment to put renewable gas from food waste into the gas pipeline. TAF led the co-investment of \$1.2 million from BerQ has additional RNG projects planned with upwards of 944,000 tonnes of emission reduction.

Efficiency Capital, under their new leadership, have been very active in the market and have completed their first transaction. Two more opportunities have been approved by the building owners’ Boards which will close in the first quarter of 2020.

TAF’s SIOP establishes an allocation of up to 60 percent of TAF’s \$48 million asset for Direct Investments or \$29 million. Currently \$8 million (16.6 percent) is invested. An additional \$10 million (21 percent) is committed but not yet drawn; \$7 million is for warehousing Efficiency Capital retrofit projects and would be drawn over several years. Counting the \$6 million proposed for Board approval would bring us to total of \$24 million funded and committed or 50 percent of the NAV. Once the federal endowment is received and our asset value is \$88 million, the maximum Direct Investment allocation will be \$53 million. The three-person impact investing team is focusing on origination of potential investments via attendance at conferences, speaking on panels joining web-based deal flow forum’s, meeting with influencers, Funds, family offices and improving communications material to boost the pipeline of opportunities.

Communications

In addition to supporting policy, program and impact investing, ‘corporate communications’ is being strengthened. Our photo library is greatly expanded thanks to a photography intern this summer. A more systematic approach to understanding our social media audiences is helping us increase audience engagement. And we are expanding the successful Faces of Climate Action series with photographs and accompanying stories that help to show the diversity of our partners and stakeholders.

Updates from Completed Grants

Pembina Institute – Feasibility Study and Leadership Cultivation for Low-Carbon, Last Mile Delivery Microhubs in the GTHA – \$42,200 over nine months

This grant emerged as a follow-on project to TAF's investment in the Duke Heights Neighbourhood Freight Forum, which identified delivery microhubs as a solution worthy of further exploration.

Pembina consulted with local companies to assess the feasibility of alternative goods delivery models such as microhubs (logistics facilities for micro-consolidation, which is the bundling of goods at a location near the final delivery point) and cyclelogistics (the integration of bicycles, tricycles, or other multi-wheeled cycles for goods movement purposes).

Based on delivery practices in other jurisdictions and findings from the Pembina Institute's research and modelling work, microhubs and electric-assist cargo cycles were found to offer viable alternatives to conventional package cars. In certain circumstances, they can offer benefits in terms of their cost-effectiveness, operational efficiency, high productivity and asset utilization, curbside demand management benefits, and reductions in freight emissions.

Pembina's research also identified the actions that business and government can take to foster supportive conditions for low-carbon alternative delivery solutions to be piloted and implemented at scale. The full, publicly accessible report can be found [here](#).

University of Toronto – Evaluation of Neighbourhood Grant Pilot Projects – \$20,500 over 10 months

The goal of this project was to gain a deeper understanding of the impact of local, low carbon-projects in contributing towards the ambitious climate targets in TransformTO. To this end, U of T researchers collaborated with project leaders from 13, largely neighbourhood-scale, climate action and community engagement initiatives in co-developing a framework for evaluating their processes, outcomes, and potential for deeper or longer term impacts.

The result of this collaboration was the Climate Action and Community Engagement Evaluation Framework. This framework is designed to assess the effectiveness of neighbourhood-scale climate action and community engagement projects in the City of Toronto in a way that adheres to the following principles:

- *Multi-pronged*: examines processes, outcomes, and sustainability impacts of projects at the concept & design stage and the implementation & wrap-up stage; project impacts are also assessed across a variety of dimensions (e.g. climate, health, equity, economy) and scales (e.g. temporal, spatial and structural).
- *Light touch*: is low cost and easily used by project leaders to measure and improve project development, implementation and outcomes, while being flexible enough to be applied to a variety of engagement and climate action approaches.

- *Utilization- focused:* prioritizes usefulness of the exercise and results to project leaders to ensure the framework contributes to the realization of their desired outcomes.

This framework can be applied in several ways, including to help funders develop enhanced selection criteria for future funding projects; to inform the design and development of new projects; to enrich the City's evaluation of the Toronto's Greenest Neighbourhoods project and similar future initiatives; and to create useful data for participating practitioners.

TAF will leverage findings from this study to support continuous improvement in its own and others' practice in designing, funding, managing and evaluating climate engagement initiatives in ways that support ultimate impact at scale.

University of Toronto – Quantifying Toronto's Transportation GHG Emissions – \$112,000 over two years

TAF collaborated with the City of Toronto's Environment and Energy Division and Transportation Services Division to fund University of Toronto researchers in developing a more accurate and up-to-date estimate of carbon emissions generated by road transportation in Toronto. In addition to refined estimates, the project team created a replicable methodology that City staff can apply to future emissions inventories. Both the refined estimates and the new model can be used to assess the potential of new policy and program options to reduce transportation-related carbon emissions while supporting high-quality mobility services for local residents.

This project resulted in many insights related to traffic patterns and related emissions in and around Toronto. Here are some of the key findings:

- Improvements in average vehicle efficiency have been just enough to offset the impact of increases in traffic volumes.
- The majority of emissions are from longer trips originating in outer suburbs and adjacent municipalities – trips that are very difficult to make by active transportation or public transportation.
- One of the most effective ways to address this trend and achieve deep carbon reductions is to invest further in transit outside of Toronto and connect the suburbs much more efficiently.
- Other approaches to dramatically reducing transportation-related emissions in Toronto and the GTHA include programs and policies designed to accelerate the uptake of electric vehicles, adopt new mobility pricing strategies, support intermodal shift for freight, and introduce low-emission zones.

Enviromentum – A Feasibility Assessment: Exploring the Role of Community Hubs in Developing Low Carbon Communities – \$17,839 over one year

Through this concept development grant, Enviromentum, the Toronto Environmental Alliance (TEA), and the Toronto Community Benefits Network investigated how community hubs could serve as launch points for wider community engagement in developing low-carbon communities while delivering tangible local benefits.

The project team consulted with staff and residents from seven established community hubs – generally physical community centres run by human service agencies – and two hubs in the planning stage, through meetings, focus group discussions, an online survey, and an Inter-Hub Climate Forum. Hub stakeholders overwhelmingly expressed the view that the resources offered by community hubs – such as supportive staff, engaged residents, and physical space – can be further developed and leveraged to support climate action. More specifically, the team’s final [feasibility assessment](#) revealed that community hubs can model sustainable design principles and host inspiring low-carbon projects, that their locally relevant programs can serve as promising entry points for climate engagement, and that their resident leadership and civic engagement initiatives can be a launch point for local participation in climate action.

TEA is now working to build on the demonstrated potential of community hubs to model a low-carbon vision and catalyze local climate solutions through their building infrastructure, programs and services, and deep community relationships. Through a recent TAF follow-on grant, TEA will be engaging more deeply with a smaller sample of community hubs to support them in achieving significant carbon reductions in their local neighbourhoods, and in so doing, generate prototypes and tools that can be used to activate the large network of GTHA hubs.

Ryerson University City Building Institute – Institute Unlocking Density and GHG reductions from the GTHA’s Single Family Homes – \$20,000 over six months

The project proponent requested that TAF rescind this grant due to staff capacity challenges that emerged since its approval.

Toronto and Region Conservation Authority – Strategic update to TRCA Climate Action Plan – \$70,000 over two years

The project proponent requested that TAF rescind this grant due to staff capacity challenges that emerged since its approval.

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SIGNATURE

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