

## Direct Investment Request 2023 G

**Date:** November 7, 2023  
**To:** Board of Directors of the Toronto Atmospheric Fund  
**From:** Vice President, Impact Investing

### **REASON FOR CONFIDENTIAL INFORMATION**

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The attachment to this report contains commercial information, supplied in confidence to the Toronto Atmospheric Fund which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

### **SUMMARY**

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The Direct Investment Committee recommends an investment of up to \$1,250,000 in an mass timber prefabrication company, in the form of a convertible note. This investment is strongly aligned with TAF's mandate to mobilize capital for low-carbon solutions and accelerate net-zero new construction. The proposed allocation complies with TAF's investment policy and target portfolio.

### **RECOMMENDATIONS**

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The Vice President, Impact Investing, recommends that the Board of Directors of the Toronto Atmospheric Fund:

1. Approve an investment of up to \$1,250,000, structured as a convertible note, subject to the high-level terms and conditions outlined by the Direct Investment Committee at its meeting on October 17, 2023, namely completion of full due diligence and valuation, finalization of terms and conditions, and legal review of such terms and conditions by TAF's Solicitor.
2. Delegate final approval of the terms and conditions to the Direct Investment Committee;
3. Direct TAF's Vice President, Impact Investing to implement the investment to the satisfaction of TAF's Solicitor; and
4. Direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains commercial and financial information, supplied in confidence to the Toronto Atmospheric Fund, which, if

disclosed, could reasonably be expected to significantly prejudice the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

## **FINANCIAL IMPACT**

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There is no financial impact to the City resulting from the adoption of the recommendations in this report. Advancing this investment will move TAF's asset mix closer to the Target Portfolio which is designed to optimize risk/return and impact.

## **DECISION HISTORY**

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At its meeting held October 17, 2023, the Direct Investment Committee recommended that TAF's Board of Directors approve the investment described in Confidential Attachment 1.

## **COMMENTS**

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### **Process / Governance Note**

The process for recommending this investment is different than usual as the timing for completing the investment and next Board meeting date do not align. While the overall architecture and risk/return expectation of the transaction have been established, and a key condition articulated (i.e.: structure), the detailed terms and conditions for the investment have not been formulated and due diligence has not been completed. This was done as the company indicated that having TAF in their cap table would significantly strengthen a large grant application they have due in the middle of December.

### **Mandate Alignment**

The focus area the investment is aligned with is Net Zero New Construction, an area where TAF has yet to make a direct investment. We believe this solution has great potential to reduce both operating and embodied carbon emissions while helping improve the affordability of the GTHA's housing stock.

### **Mass Timber Value Proposition**

The value proposition of prefabricated mass timber solutions is very compelling:

- Improved construction speed due to off-site fabrication and quick assembly on site
- Reduced labour and machinery costs driven by simplicity of on-site assembly
- Reduced embodied carbon emissions
- Reduced construction waste due to precision cutting, reduced on-site modification, and enhanced resource recovery as factory waste is easier to repurpose than construction waste
- Improved visibility over project costs
- Enhanced project economics at scale driven by standardization, timber's lightweight properties reducing foundation costs, and reduced labour costs

Please refer to the confidential attachment for further information on the opportunity.

## **CONTACT**

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## **SIGNATURE**

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Kristian Knibutat  
Vice President Impact Investing

## **ATTACHMENTS**

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Confidential Attachment 1 – Direct Investment Request 2023 G