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## 2024 BUDGET BRIEFING NOTE

### Additional Transformative Climate Initiatives

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#### Issue/Background:

On January 18, 2024, the Budget Committee ([BU5.1](#)) requested that the Executive Director, Environment and Climate (E&C) Division, prepare a briefing note that sets out the cost, and likely impact of, the top three fast, cheap and transformative TransformTO initiatives the City could take in 2024 to help achieve the City's Net Zero target.

#### Key Points:

##### Prioritized initiatives for 2024

Based on the work to establish the Carbon Budget Baseline Briefing Note, E&C undertook focused outreach to a number of Divisions to identify potential "shovel-ready projects" or ideas already included in future Divisional climate planning that, if implemented in 2024, would accelerate the pace and/or scale of greenhouse gas reductions city-wide, Table 1 (below).

Given time constraints associated with the briefing note development, E&C did not undertake comprehensive outreach to all Divisions, Agencies, Boards and Corporations to identify new or enhanced climate actions. This work will be undertaken as part of the upcoming Carbon Budget process outlined in the [Climate Change Goals and Governance](#) chapter of the Municipal Code (see § 669-2.3.F) and will be supported by a comprehensive analysis to prioritize potential actions and investments by the City, including through updated modeling.

Given the scope of action and investment needed to achieve net zero, these opportunities for additional investment will not change the overall trajectory from the Business as Planned emissions scenario, however they will contribute to reducing the emissions gap.

Existing homes and buildings were chosen as the focus for additional investments because they are the largest source of community-wide GHG emissions in Toronto (approximately 60%), and are also the most substantial, and largely unfunded, investment necessary to meet our net-zero target. It is estimated that a minimum fourfold increase in the current pace of retrofit investment is imperative, with all actors in the retrofit ecosystem contributing to a significant acceleration and scaling of efforts.

Without realization of the additional opportunities outlined below in 2024, City staff will continue to look for opportunities and identify appropriate funding models and financial mechanisms to make these needed investments, including potential for inclusion in the 2025 budget.

Table 1 below shows the top three initiatives put forward by Divisions, an estimate of the additional capital required and a quantitative estimate of climate impact. It should be noted, however, additional capital investment will require corresponding operating (staff resourcing) investments to successfully deliver the scale of impact outlined.

**Table 1: Top Three Proposals to Accelerate Emission Reductions in 2024**

Name of Initiative	Division	Capital (\$000s)	Net Operating (\$000s)	FTE	Estimated GHG reductions	Project Details
1. Home Energy Loan Program: modest-income homeowner stream	E&C		80	1	Not calculated at this time	Home energy retrofit loans for modest income owners. Program will use existing local improvement charge reserve funds but will require dedicated staff to provide concierge support.
2. Home Energy Loan Program: low-rise multi-unit residential stream	E&C	10,000	160	2	Not calculated at this time	Home energy retrofit loans for owners of low-rise multi-unit residential buildings.
3. Emissions Performance Standards: implementation support programs	E&C		900	5	Not calculated at this time	A suite of support projects which can accelerate transition in 2024 instead of 2025.
<b>TOTAL</b>		<b>10,000</b>	<b>1,140</b>	<b>8</b>		

**Expanded Home Energy Loan Program: New Streams**

Through the Home Energy Loan Program (HELP), the City offers low-interest loans to homeowners to make their homes more energy efficient thereby reducing energy consumption and greenhouse gas emissions.

Additional funding to expand existing HELP program offerings specifically targeted at modest income homeowners and low-rise multi-unit residential buildings, who might currently face barriers to accessing HELP, will provide upfront financial assistance to

secure long term energy affordability vis-a-vis financial savings from monthly energy expenditures while increasing home safety and comfort. While the City cannot predict with certainty the anticipated program uptake, this approach expects to attract participation from homeowner groups who have been historically under-represented.

Supporting the two program streams outlined below would require an additional \$10.0 million in capital funding for recoverable loans to be made available to participating homeowners for home energy improvements. Amendments to E&C's 2024 Operating Budget would also be required to support an additional 3 FTEs at a total cost of \$0.240 million gross and net, as current program staff are at capacity with current streams of HELP.

### **1. HELP for modest-income homeowners**

This loan option builds on the former "Toronto Renovates Program" and leverages other existing City programs for support. This loan stream proposes to focus on homeowners who must prioritize emergency, health-related and or safety-required repairs and who would not otherwise consider a loan exclusively for energy retrofits. This HELP+ loan would allow homeowners to undertake repairs using a City-supported loan product while improving the energy efficiency of their home through modest retrofit activities. The loan will be designed using innovative repayment and procurement options. Initially, this loan will use existing loan reserves combined with additional financial partnerships with utilities and the Federal and provincial governments.

### **2. HELP for low-rise residential buildings**

This proposed stream aims to develop net zero pathways for the approximate 11,000 low-rise multi-unit buildings classified as single-family homes, which includes duplexes, triplexes, rooming houses and residential units above commercial properties in Toronto – a segment that has historically been underserved by utility and government incentive programs.

The City is developing a holistic program for this asset class of buildings that will reduce incidences of tenant displacement during building retrofits and instead, modernize and electrify apartments to improve tenant comfort while ensuring affordable payments for property owners. It is anticipated that this stream will require supporting by-law amendments and additional loan reserve funds. The City intends to seek additional financial support from utilities and federal/provincial governments.

### **3. Implementation support programs to accelerate Emission Performance Standards (EPS)**

Setting emissions performance standards (EPS) is the most impactful action the City can undertake to reduce emissions from buildings. In 2023, Toronto City Council adopted the recommendations in *Proposed Building Emissions Performance Reporting By-Law* (2023.[IE9.5](#)) which set out performance reporting obligations that apply to

buildings over 929 m<sup>2</sup>, through the adoption of Municipal Code 367 - Building Emissions Performance.

To reach net zero, mandatory emissions performance standards are planned to apply to all buildings from the largest office towers to low-rise residential homes in Toronto, via sequenced achievable pathways for all buildings over time.

E&C is on track through its 2024 Budget submission to deliver an emissions performance standards by-law to City Council for consideration in Q4 2024 which would set mandatory performance requirements for all buildings across Toronto; however, additional resources could be allocated to accelerate support activities currently planned to begin in 2025.

These activities include:

- Design of an Information Technology implementation support system which monitors and manages by-law compliance.
- Additional consultant studies to understand the conditions under which the current by-law can be expanded to include buildings with a floor area less than 929m<sup>2</sup>.
- Development of resources, materials and scale up of support programs for this sector (i.e., enhanced financing programs, retrofit concierge services, collaboration programs, education) integral to enabling the required pace of change and to the success of emissions performance standards.
- Implementation of Municipal Code 367 Building Emissions Performance – these reporting requirements will allow the City to collect performance data from buildings across Toronto to enable the targeting of programs and emissions performance standards.

In addition to the 2024 Staff Prepared Operating Budget, E&C would require \$0.9 million gross and net of incremental operating funding (including 5 FTEs) to accelerate the development, design and implementation of EPS in 2024.

### **Future Budget Cycles: Annual Carbon Budget Prioritization process**

Beginning in spring 2024, the City's new annual Carbon Budget Prioritization process will begin identifying new or enhanced actions that can drive additional GHG reductions for prioritization and inclusion in the upcoming year's financial budget.

The prioritization process draws on best practices from other advanced municipal jurisdictions, including Oslo and Edmonton, where the finance departments lead on implementing the annual prioritization and budget review process for GHG reduction actions.

Each cycle of the annual Carbon Budget Prioritization process culminates with a Carbon Budget report that will guide City Council and the public on how the actions in the budget will impact GHG reductions. The goal of the annual Carbon Budget Prioritization process is to create a virtuous cycle of Divisions, Agencies and Corporations coming forward with ideas for new or accelerated GHG reduction actions.

How it works:

- The annual Carbon Budget Prioritization and reporting process operates alongside the existing financial budget process so that:
  - By March 31: City Manager & Chief Financial Offices (CFO) issues direction to Divisions, Agencies and Corporations on key areas for new or enhanced GHG reduction actions
  - By June 30: Divisions, Agencies and Corporations will respond to the direction from the City Manager's Office and CFO with proposals for new or enhanced GHG reduction actions, supported by Environment and Climate and Financial Planning Divisions who will develop corresponding estimates of GHG reduction and financial impact.
  - Actions will undergo a prioritization exercise and be included in next year's budget based on estimated GHG reduction and financial impact.
  - Prior to Budget launch: Carbon Budget Report briefing note will be published and will present the GHG impact, budgetary cost and revenue impacts of any new or enhanced GHG reduction actions, as well as existing GHG reduction actions that are being continued.
  - After Budget approval: Reporting on the GHG reduction impact of the approved budget will be presented to the Infrastructure and Environment Committee.

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