

## **Direct Investment Request 2024 #2**

**Date:** November 6, 2024  
**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 and financial 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 (DC) recommends an investment of up to \$1,650,000 to finance Multi-Unit Residential Building (MURB) upgrades for comprehensive Electric Vehicle (EV) charging, referred to here as 'The Program'. The investment will occur as project financing agreements with 11 MURBs, previously identified with conditions set out in signed Letters of Intent (LOIs). This project builds on TAF's previous experience delivering the EV Station Fund and prior work contracted with Dunskey Energy + Climate Advisors and is expected to showcase the value of MURBs undertaking comprehensive EV charging upgrades. This Program is strongly aligned with TAF's Accelerating EV Uptake focus area while also associated with our Accelerating Building Retrofits focus area. Over a 20-year period, the GHG emissions reduction is an estimated potential 1,956,087 CO<sub>2</sub>e, 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 \$1.65 million via project financing agreements, and subject to:
  - i. Acceptance of TAF's application for grant funding.

- ii. Individual building upgrades contracted under terms and conditions not materially different to the LOIs entered into by the building representatives as part of the grant application.
  - iii. A total Program IRR being above a 10% minimum target rate.
  - iv. Legal Review.
2. Approve financing the upfront cost of working capital expenses which are recoverable through grant funding.
3. Direct the Vice President, Impact Investing to implement the investment subject to the satisfaction of TAF's solicitor.
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 prejudice significantly 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.

## **DECISION HISTORY**

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At its meeting held 29 October 2024, the Direct Investment Committee (DC) recommended that TAF's Board of Directors approve the investment described in Confidential Attachment 1.

## **COMMENTS**

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### **Investment Profile**

The total investment of \$1,650,000 represents 1.69% of TAF's net asset value (NAV) at Q2 2024 and 5.62% of TAF's 30% Direct Investment asset class target allocation. This Program aligns with TAF's mandate to reduce carbon emissions in the GTHA and accelerate EV adoption while balancing the need for cost-effective EV infrastructure and a suitable investment return for TAF. The investment request includes this \$1.5 million investment, as well as a 10% contingency of \$150,000 to cover potential cost overruns for the overall program. The goal is to convert up to 2,361 parking spots to be EV-ready, starting with 509 of these spots equipped with Level 2 (L2) chargers across 11 buildings who have signed LOIs detailing the program overview, structure and expected obligations of TAF and the building owners. This program is estimated to be undertaken over a 20-year period in two phases: an initial two-year construction phase and an 18-year ongoing operation phase.

### **Due Diligence**

Financial and program due diligence was conducted to validate the investment thesis and determine the investment requirements to implement this program while achieving a suitable investment return. The program builds off work performed by Dunskey Energy

to showcase the value of undertaking comprehensive EV charging upgrades in MURBs while also taking advantage of federal grant funding available. Market acceptance of the program was tested through solicitation of LOIs from condominium and apartment buildings and from TAFs experience with the EV Station Fund.

### **Deal Terms**

The investment is structured as project financing under separate financial agreements with each building owner with conditions consistent with those outlined in the LOIs signed by each building. TAF's investment into each building is estimated in the \$70,000 to \$270,000 range and dependant on the specific conditions present, with contributions from the building itself ranging from \$45,000 to \$170,000, and with contributions from grant funding equaling the same amount or higher than TAF's initial investment amounts. TAF expects to provide the initial working capital funding required for the grant portion of these projects, with full recovery of working capital by the project completion.

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 2024 #2