

## **Direct Investment Request 2025.B**

**Date:** April 11, 2025  
**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 is recommending that an existing credit facility established to advance energy efficient building retrofit projects be restructured to eliminate tax-inefficiencies, better align with market conditions, and increase the use of the facility which supports TAF's building retrofit objectives. Changes to the Direct Investment Committee's Terms of Reference are proposed to maintain the existing authority for the Committee to approve each use of the credit facility which has been delegated by the Board.

### **RECOMMENDATIONS**

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

1. Adopt the resolution outlined in Confidential Attachment 1.
2. Adopt the proposed changes to the Direct Investment Committee Terms of Reference as presented in Attachment 1.
3. 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 of Toronto resulting from the adoption of the recommendations in this report.

## **DECISION HISTORY**

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### **Terms of Reference**

At its meeting November 21, 2025, the TAF Board of Directors approved revised Terms of Reference for the Direct Investment Committee.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.TA8.4>

At its meeting February 14, 2021, the TAF Board of Directors approved revised Terms of Reference for the Direct Investment Committee.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.TA15.7>

At its meeting July 9, 2021, the TAF Board of Directors established a Direct Investment Committee and approved duties for the Committee, some of which were previously fulfilled by the Investment Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.TA13.4>

Amended Terms of Reference for the Investment Committee were approved by the TAF Board on May 21, 2020.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.TA6.10>

### **Delegation of Final Approval of Energy Savings Performance Agreement transactions to the Direct Investment Committee**

At its meeting February 10, 2023, the TAF Board of Directors approved delegation of individual Energy Savings Performance Agreements (ESPAs) using existing Board-approved financing agreements to the Direct Investment Committee.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.TA1.5>

At its meeting July 16, 2014, the TAF Board of Directors approved an investment of up to \$7 million for a “warehouse line” to finance Energy Savings Performance Agreements (ESPAs), none of which may exceed \$2 million, contingent on firm refinancing and subject to approval of terms and conditions by the Investment Committee ESPA Subcommittee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.TA19.6>

## **COMMENTS**

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In 2014, TAF established a warehouse credit facility with Efficiency Capital Inc (EC), structured as a revolving capital and intended for use during energy project construction

and for up to 2 years post construction. Yet, none of the available \$7 million is currently being utilized due to two tax related issues. First, the credit facility is tax-inefficient since TAF needs to own the assets that are financed and as a not-for-profit organization only recovers about 87% HST paid by TAF compared to 100% recovery that is available to for-profit commercial entities. This effectively increases the total project cost and negatively affects the business case for the borrower. The second, more recent, issue is that projects financed using the facility are not eligible for the new investment tax credits (ITCs) that offer up to a 30% reduction of capital costs, which also negatively affects the business case.

The proposed restructured credit facility has been designed to alleviate the tax matters while keeping substantially the same terms and conditions that exist under the current warehouse facility. EC is covering the cost of completing the legal review and documentation for the proposed credit facility restructuring.

As the retrofit market has matured, take-out financing (investment after an energy project is operational) has become more readily available, however construction phase financing is scarce. Given its limited use to date and the expectation no further requests will be made for energy projects to be financed under the warehouse facility, this simple restructuring will allow the already committed capital to be deployed and serve its intended purpose, filling the need for energy project construction finance.

## **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: 2025.B

Attachment 1 - Proposed Terms of Reference of the Direct Investment Committee of the Toronto Atmospheric Fund