The Atmospheric Fund

REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Direct Investment Request: Affordable Housing Guarantee Pool

Date: April 14, 2026
To: Board of Directors of the Toronto Atmospheric Fund
From: Vice President, Impact Investing

REASON FOR CONFIDENTIAL INFORMATION

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

The Direct Investment Committee recommends an unfunded amount of $5M to the affordable housing guarantee pool. This investment is strongly aligned with TAF's mandate to mobilize capital and accelerate delivery of affordable, zero-carbon, non-profit multi-unit residential (MURB) housing. By using a pooled guarantee structure, it has the ability to unlock construction financing while limiting TAF's exposure to its committed amount. The proposed allocation complies with TAF's investment policy and asset allocation framework.

RECOMMENDATIONS

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

1. Direct the CEO, TAF to enter an arrangement to commit to funding for an Affordable Housing Guarantee Pool in which investors rateably agree to provide an amount, as called upon by the Housing Guarantee Pool Fund Administrator, for projects approved under the terms of the arrangement, namely:
    a. the principal amount of all amounts advanced by TAF under the arrangement shall not exceed $5M and TAF shall not be required to provide any security for its commitment;
    b. TAF shall not enter into the arrangement until:
        1. other investors have committed (at the same time or earlier) to amounts no less than the principal amount of $10M under the same terms of arrangement; and

2. the Project Sponsor (who is a well-regarded developer of affordable housing who identifies suitable projects for the Fund, provides the first loss position and will act as the development manager on all projects they sponsor) has funded $5M;

c. the term of the arrangement shall be for no longer than 8 years from the execution of the arrangement (subject to survival of any outstanding commitments).

2. Direct the completion of a legal review of all documentation to the satisfaction of TAF's legal counsel as determined by TAF's Vice President, Impact Investing and Chief Executive Officer.

3. Direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it contains commercial and financial information and negotiation details supplied in confidence, 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

There is no financial impact to the City of Toronto resulting from the adoption of the recommendations in this report.

DECISION HISTORY

At its meeting held on April 9, 2026, the Direct Investment Committee recommended that TAF’s Board of Directors approve the investment described in Confidential Attachment 1.

COMMENTS

Investment Profile
This investment will support a pooled, unfunded loan guarantee program designed to mobilize capital for the construction of affordable, zero-carbon, non-profit multi-residential housing in Ontario, with the potential to scale across Canada.

TAF’s commitment would provide credit enhancement (with no cash advanced at signing) that helps projects access construction financing, while allowing TAF’s capital to remain invested in its portfolio in income earning assets unless there is a call on the guarantee. The pool, a first-of-a-kind in Canada, is structured to unlock larger volumes of affordable housing financing, grants, and subsidies by improving lender confidence and financing terms.

Investment Terms
TAF's investment is structured as an unfunded guarantee commitment of up to $5M into a pooled guarantee fund, which will have a minimum $20M in commitments to commence and a longer-term target $25–$50M. Investors receive a per-project annual guarantee fee on unadvanced committed amounts. For example, if a $20M guarantee is provided by the pooled guarantee fund to an affordable net zero housing construction project then TAF would be paid 1% on its pro-rata share of the total commitment, ie: 1% on $5M ($50K per year) if the pooled fund has $20M in commitments. If another $20M guarantee is provided for another construction project, then TAF would earn another $50K per year.

Calls on the guarantee to advance financing can only occur after construction has commenced and financing is registered, and only for verified cost overruns where other interim financing is not feasible and the Project Sponsor has contributed at least a specified amount as a first-loss position. Any remaining shortfall is then funded pro-rata across affordable housing pool participants. Any amounts advanced are secured interest-bearing financing of the affordable net zero housing construction project and are to be repaid within a predefined time of project completion.

Due Diligence
Financial due diligence was completed on validating the risk controls embedded in the structure and the robustness of project-level eligibility and underwriting standards. The pooled guarantee funding model includes key risk mitigants that require third-party cost consultant verification, and gating conditions tied to construction readiness and registered financing. Governance was also assessed, including the role of an independent investment committee overseeing the approval of affordable net zero housing projects and policy adherence for both provision of a guarantee and whether criteria are met to call on the guarantee. Ongoing quarterly reporting to guarantors on portfolio status and guarantee activity was also assessed.

A commitment of $5M in the Affordable Housing Guarantee Pool would represent 4.65% of TAF's total NAV and 16.67% of TAF's 30% direct investment target asset allocation and would bring the total to 66%. As this is an unfunded loan guarantee, the amounts would remain invested broadly in the endowment portfolio, earning the overall portfolio returns.

Impact Generation
Impact due diligence indicates the structure can accelerate delivery of affordable, net-zero housing by enabling projects to access construction financing that may otherwise be constrained by cost-overrun risk. The model is intended to be scalable and replicable, with a stated multiplier effect, and is designed to support sustainability standards. By catalyzing additional affordable housing supply and specifically high-performance buildings, the investment advances TAF's focus on accelerating net-zero-ready construction while delivering meaningful housing affordability co-benefits.

CONTACT

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SIGNATURE

Kristian Knibutat
Vice President Impact Investing

ATTACHMENTS

Confidential Attachment 1 – Direct Investment Request Affordable Housing Guarantee Pool