

# City of Toronto Green Debenture Framework

## Vision Statement

City of Toronto has an ambitious goal of reducing greenhouse gas (GHG) emissions by 80% by 2050. While the City is already considered a global leader, having implemented various policies, programs and infrastructure to address environmental sustainability outcomes, renewed investment into the City's core urban systems – buildings, energy supply, transportation, natural environment and waste management – will be necessary to realize its low-carbon future.

City of Toronto green debentures are used to finance capital investments in sustainable development across the City in order to mitigate and adapt to the effects of climate change and reduce GHG emissions.

## 1. Use of Proceeds

The proceeds of each green debenture will be applied exclusively to finance or re-finance, in whole or in part, new and/or existing capital projects under the City of Toronto Green Debenture Framework.

"Eligible Projects" means identified capital projects that meet the City's environmental objectives. The selection of these projects is generally guided by the prevailing plans, policies and strategies as approved by Toronto City Council. The environmental objectives supported by these projects generally include:

- mitigation and adaptation to the effects of climate change;
- abatement and avoidance of GHG emissions;
- resource recovery and a hierarchical waste management approach; and
- air, water and soil pollution prevention and control.

Without limitation, capital projects across the following categories will be considered eligible for financing from green debenture proceeds:

1. **renewable energy**, production and distribution, including but not limited to: solar, wind, geexchange and biogas technologies.<sup>1</sup>
2. **energy efficiency**, including but not limited to: retrofits of existing buildings, and new construction and retrofits of energy storage, district heating and cooling, smart grids and equipment. This also includes energy efficient improvements in private buildings through initiatives such as the Home Energy Loan Program

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<sup>1</sup> Excludes the production and distribution of hydropower exceeding 25MW and nuclear power

(HELP)<sup>2</sup> for ground related housing and the HiRIS program<sup>3</sup> for multi-residential housing where the City utilizes mechanisms under the Local Improvement Charge regulation to provide financial loans towards energy efficiency retrofits.

3. **pollution prevention and control and utilizing waste as a resource**, including but not limited to: wastewater treatment infrastructure, infrastructure for air emissions reduction, greenhouse gas control, soil remediation, the prevention, reduction, reuse and recycling of waste, energy/emission-efficient waste to energy or energy recovery, value added products from waste and remanufacturing, and associated environmental monitoring for waste reduction.
4. **sustainable clean transportation**, for humans, goods and services mobility enhancements, including but not limited to: core and supporting infrastructure and fleet for electric, hybrid, public, rail, non-motorised, multi-modal transportation, as well as infrastructure for low-carbon vehicles and reduction of harmful emission, and walking and cycling infrastructure.
5. **sustainable water and wastewater management**, including but not limited to: sustainable infrastructure that reduces water loss and increases the efficiency of clean and/or drinking water provision, wastewater treatment, storm water management, sustainable urban drainage systems and flood mitigation measures.
6. **climate change adaptation and resilience**, including but not limited to: flood reduction infrastructure, green roofs, and back-up power equipment.
7. **eco-efficient and/or circular economy principles integration**, including but not limited to: use of recycled or alternative building materials in development and redevelopment, establishment of alternatives to traditional product consumption models towards rental, maintenance, repair services for infrastructure designs and upgrades, adapted products, production technologies and processes which minimize negative externalities and maximize resource value to its greatest potential.
8. **green buildings**, which meet or exceed local, regional, national or internationally recognized standards and certifications, including but not limited to: Toronto Green Standard (Tier 2, 3 or 4), Leadership Energy and Environmental Design (LEED) rating system (Gold or Platinum)

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<sup>2</sup> <https://www.toronto.ca/services-payments/water-environment/environmental-grants-incentives-2/home-energy-loan-program-help/>

<sup>3</sup> <https://www.toronto.ca/community-people/community-partners/apartment-building-operators/hi-ris/program-overview/>

## **2. Project Evaluation and Selection**

The selection of Eligible Projects is the responsibility of the Corporate Finance Division (CFD) in consultation with internal and external expert stakeholders, which may include the combined effort of Environment & Energy, City Planning, Solid Waste Management Services, Parks, Forestry and Recreation, Toronto Water and Legal Services Divisions and other City Divisions, Agencies and Corporations, as required.

CFD will select the eligible capital project(s) that meet the guidelines for use of proceeds as described above. Projects must also comply with all applicable laws and regulations, and policies of the City of Toronto, including assessments of the social and environmental risks of a given project.

CFD will verify the suitability and eligibility in collaboration with the Environment & Energy Division. Then the City will follow its current debt issuance procedure in accordance to the City of Toronto's Financing of Capital Works Policy and Goals. The Mayor or the Mayor's Alternate and the CFO are authorized to issue debt within the annual limit approved by Council. The internal or external legal representative(s) will draft a debenture by-law outlining the use of proceeds, amongst other items, that includes a schedule to the by-law listing the capital projects to be financed by the debenture, and the list of capital projects will also be shared on the City's website. The debenture by-law shall be passed by the City's Debenture Committee.

## **3. Management of Proceeds**

The majority of capital projects to be funded by a debenture issued by the City have been completed or substantial completion criteria met. In these common instances, the proceeds of the debenture will be applied directly to the project to repay the City's temporary funding for the project.

Where substantial completion has not been met on an Eligible Project, the funds will be held in an account of the City and invested in holdings with maturities aligned with substantial completion of the projects identified in the schedule to the by-law.

In the rare case where substantial completion has been achieved and excess funds exist, the funds will be applied to other projects classified as Eligible Projects under this Green Debenture Framework.

## 4. Reporting

CFD will coordinate with relevant City divisions to collect reporting metrics and provide an annual newsletter on its website addressing both funding allocation and sustainability impact reporting that will cover:

- debenture by-laws outlining the specific projects and amounts funded by green debentures
- a summary of the City's green debenture developments including existing and future projects
- updates with respect to distribution of unspent debenture proceeds
- project updates and status reports for Eligible Projects, when possible
- key performance indicators (KPI), such as:

<b>Project Category</b>	<b>Potential KPIs</b>
Renewable Energy	<ul style="list-style-type: none"> <li>• Installed renewable energy generation capacity (MW)</li> <li>• GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy saved per year (ekWh/year)</li> <li>• GHG emissions reduced/avoided (tCO<sub>2</sub>e)</li> </ul>
Pollution Prevention and Control and utilizing waste as a resource	<ul style="list-style-type: none"> <li>• Reduction in Particulate matter concentration (PM<sub>2.5</sub>/PM<sub>10</sub>)</li> <li>• Waste recovery and landfill diversion rate (%)</li> </ul>
Sustainable Clean Transportation	<ul style="list-style-type: none"> <li>• Cycling and Walking trips (% of modal share)</li> <li>• Bike lanes installed (kms)</li> </ul>
Sustainable Water & Waste Water Management	<ul style="list-style-type: none"> <li>• Increase in permeable surface area (%)</li> </ul>
Climate Change Adaptation & Resilience	<ul style="list-style-type: none"> <li>• Avoided cost of basement flooding (\$), increase in tree canopy (%), green roof space (m<sup>2</sup>)</li> </ul>
Eco-efficient and Circular Economy	<ul style="list-style-type: none"> <li>• Value of eco-efficient procurement (\$)</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>• Number of eligible buildings that received third party-verified green building certification (LEED Gold or Platinum) or Toronto Green Standard (Tier 2,3 &amp; 4)</li> </ul>

Prior to the first anniversary of a green debenture issuance, CFD will review the projects financed by the City's green debenture in order to assess the compliance of the projects with the Green Debenture Framework. This review will be conducted annually until full allocation of the net proceeds from the City's green debenture. The CFO will provide a report of the review, which the City will publish on its website.

In an unlikely event that the annual review identifies allocations made to activities that do not comply with the Green Debenture Framework, the City will allocate the corresponding amounts to different lending activities that are compliant with the Green Debenture Framework.

The issuance of debentures pursuant to this Framework will be implemented in accordance with the City of Toronto Act and directives issued by City Council as applicable.