

budgets.” Further the plan recommends that the decarbonization plans for each of the City’s assets requiring a deep retrofit “include asset specific GHG intensity (GHGI) targets, and a business case assessment ... that clearly defines capital budget requirements and the offsetting energy costs savings that will be reflected in future operating budgets” (33).

Finally, with respect to funding for these deep building energy retrofits, the CEEMP recommends that “wherever possible, the City should take advantage of external funding opportunities to supplement the Climate Action Reserve Fund and speed up the implementation of project initiatives” (54).

All small and medium sized cities across the country have similar buildings to retrofit and similar financing challenges.

MaRS Overview

MaRS is a non-profit social enterprise and is North America’s largest urban innovation hub. MaRS curates 1.5 million square feet of research labs and tech offices with 150 tenants in downtown Toronto. They are accelerating the growth of 1,300 science and technology scaling ventures. They are also currently working with over 50 government and corporate partners to accelerate the adoption of innovation to help innovators create a better world.

MIIF Phase 1 Overview

Earlier this year, ICLEI Canada, Local Governments for Sustainability – with which the City has a long-standing partnership – invited the mayor/me to participate in a series of workshops for the municipal sector in Canada hosted by the MaRS Discovery District to explore the creation of a MIIF in Canada. The purpose of the initial exploration was to determine whether there was interest in creative approaches to financing accelerated climate action, starting with a focus on building retrofits.

Included in the initial engagement was the City of Victoria, the City of Barrie, credit unions and progressive financial institutions, philanthropic foundations, ICLEI Canada and the FCM. Victoria and Barrie were chosen to participate in the working group in part because I am co-chair of the BC Urban Mayors’ Caucus (BCUMC), and the Mayor of Barrie, Jeff Lehman, is Chair of the Ontario Big City Mayors (OBCM). MaRS has also consulted seven additional small and medium sized cities about their building energy retrofit needs as part of Phase 1.

The exploration to date is based on a successful model that has been in place in the UK since 2008, which has:

- Accelerated emissions reductions in city and other public sector buildings
- Realized energy cost savings for local governments and other public sector institutions
- Added capacity to public sector project management
- Provided a small return to private investors (primarily progressive financial institutions).

Some of the findings from the Phase 1 working sessions earlier this year included the key barriers to accelerated municipal climate action in small and medium sized municipalities:

- Having adequate human resources and capital dedicated to identify and undertake projects at scale/ multiple deep energy building retrofits at once.
- Building a pipeline of sound projects, business cases and approvals to develop and execute on projects.

- Incentivizing climate action and deep energy retrofits of privately-owned private assets within the boundaries of municipalities.

The opportunity identified through the workshops is that building energy retrofits have a strong business case and high impact potential in municipalities across both public and private assets. These retrofits have high certainty of costs and revenues, making these investments “low-hanging fruit” to drive impact at scale. There is an opportunity to build tools to support both public and private stakeholders in taking bold action in this space including:

- Packaging small scale energy retrofit projects from a number of local governments and potentially other public sector buildings (schools, hospitals), and potentially private sector buildings into an investable portfolio, attracting the capital at the scale needed to meet municipal climate goals more quickly.
- Strong evaluation and impact measurement of energy retrofits to ensure long-term financial savings for local governments.

MIIF Phase 2 Overview

While phase 1 of the project identified barriers and opportunities, it also raised a number of logistical, legislative and governance questions that can best be addressed through a feasibility study. Since Phase 1 wrapped up in the early summer, MaRS has been working with FCM to develop an application to the GMF to fund a feasibility study.

The City’s support is sought in the form of a letter at this point, and through a small portion of the total project budget should the project be funded through the GMF. The total project budget is \$450,000. The 10% municipal funding match equates to up to \$22,500 for each of Victoria and Barrie. The remainder of the funding is being sought through a philanthropic foundation and the FCM GMF.

This feasibility study will evaluate how a MIIF pilot could be structured and prototyped across two cohorts of municipalities in BC and Ontario to achieve accelerated deep energy retrofits of public buildings (and potentially privately owned buildings) and the associated cost savings. This study is important to ensure that the two MIIF pilots are structured to be successful in procuring a fund manager, establishing the right governance structure and attracting both public and private capital to help the municipal cohorts substantially accelerate their GHG reduction projects through the MIIF.

The results from this project will include but will not be limited to:

- Enlisting municipalities for the two pilot cohorts
- Developing a detailed business model for procuring and operating a MIIF
- Developing and validating a governance model for operating the MIIF pilot for the two cohorts
- Undertaking market sounding to validate that the MIIF business model is viable from both a fund manager and from an investor perspective
- Establishing the size, scale and term of the MIIF for the two cohorts established for piloting it.

MaRS is presenting to the BCUMC on September 10th and at an upcoming meeting of OBCM to build support for the feasibility study and develop the BC and Ontario local government cohorts.

RECOMMENDATIONS

That Council:

1. Request the mayor to write a letter of support for the MaRS Discovery District's application to the Federation of Canadian Municipalities (FCM) Green Municipal Fund (GMF) for funding for a feasibility study to explore the creation of a Municipal Impact Investment Fund (MIIF) in Canada.
2. Subject to the MaRS Discovery District receiving funding from the FCM GMF, that the City allocate up to \$22,500 to the feasibility study from the 2021 contingency budget and participate in the study as part of exploring options for financing of the City's recently adopted Corporate Energy and Emissions Management Plan (CEEMP).
3. That this motion be forwarded for consideration to the daytime Council meeting of Thursday September 9th.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Helps", written in a cursive style.

Mayor Helps