

Breakout 4A: Financing the Transition

Mobilizing Capital



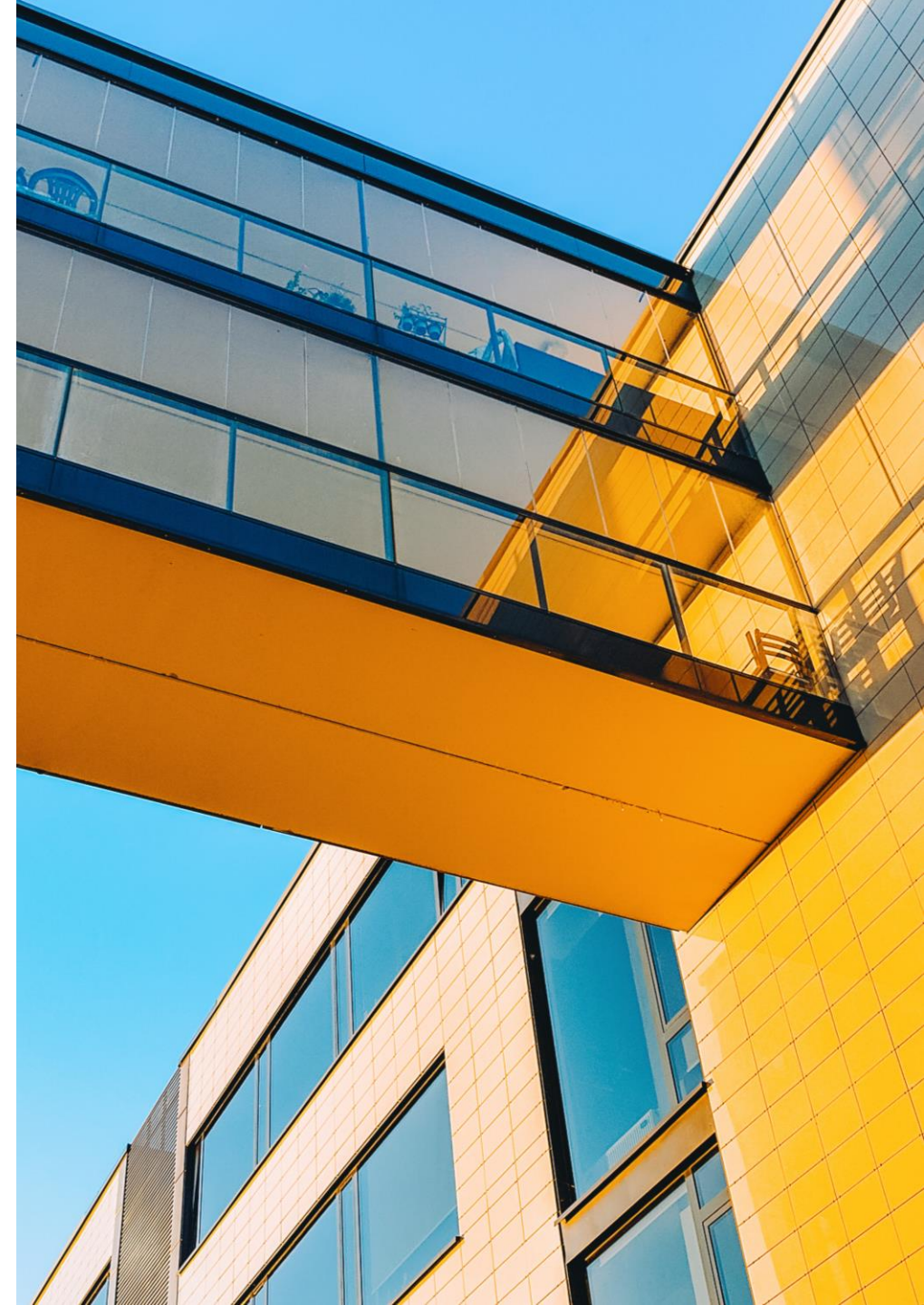
Moderated by:
David Messer, Director



April 18, 2024

Agenda

1. Opening, context setting and introduction
2. Introductory remarks from panelists
3. Q&A
4. Participant discussions
5. Participant replay



CSBA Climate Smart Buildings Alliance



2024 Action Projects



Cross-industry agreement to consistently consider & use lower carbon materials.



Climate & Consumer Smart Housing Model with National Research Council.



Mass timber insurance solutions & technology lab.

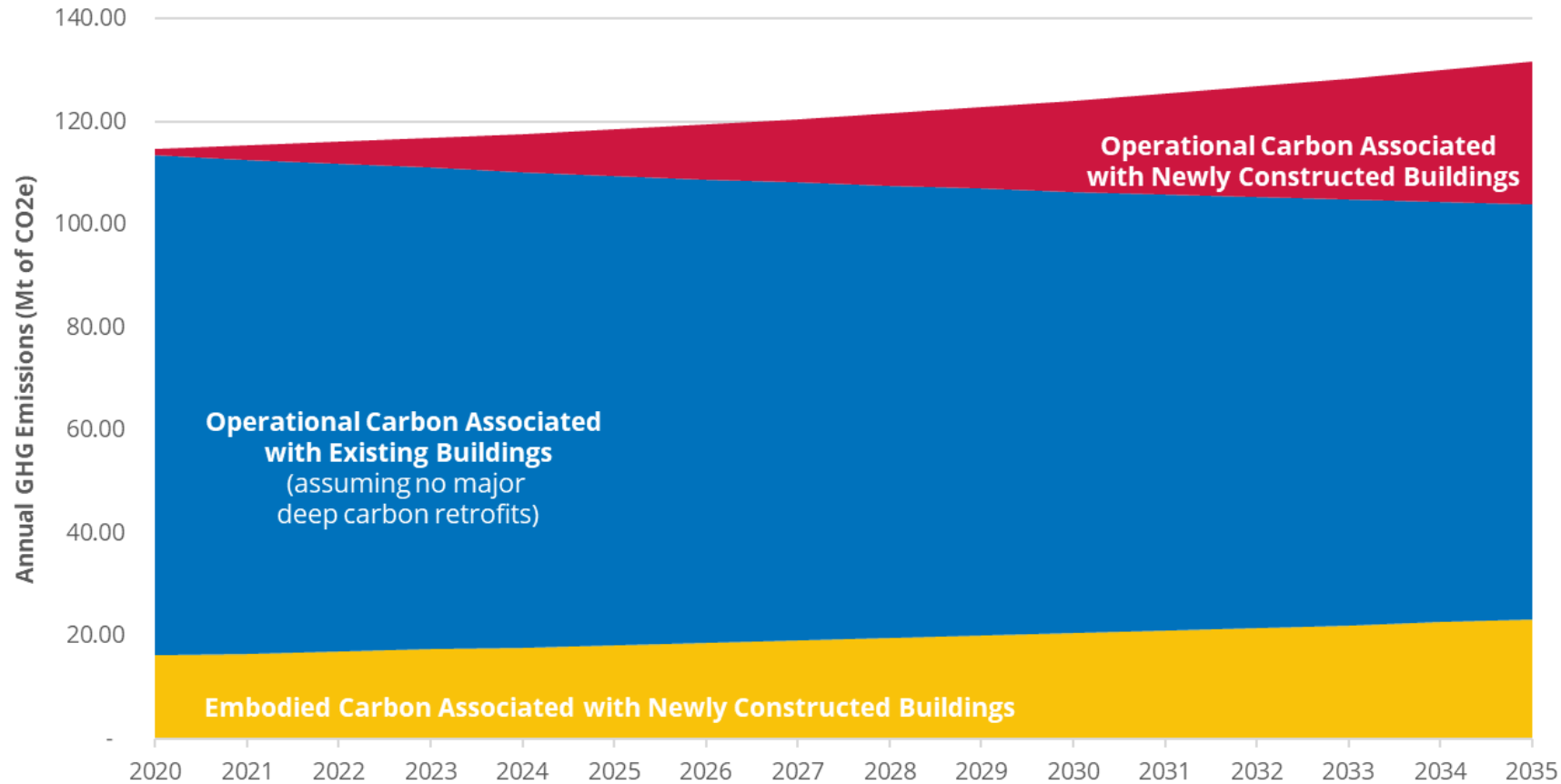


Make retrofit & capital planning the expectation.

<https://buildingsalliance.ca>



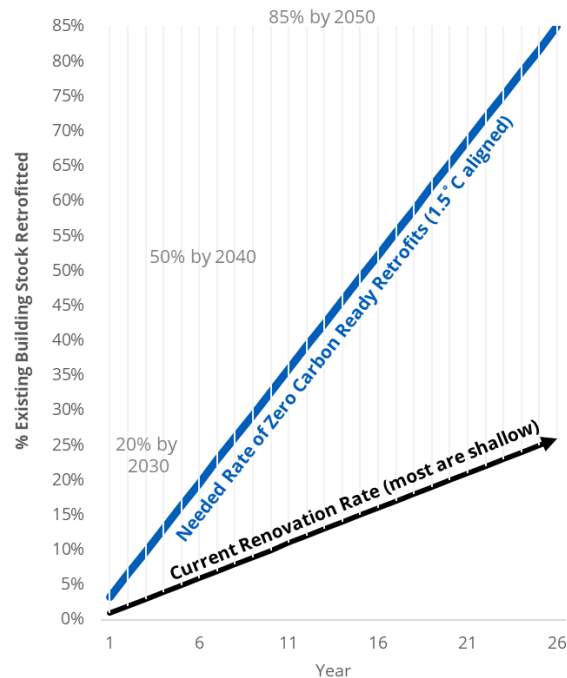
The Retrofit Challenge



Analysis by RWDI

The Retrofit Finance Challenge

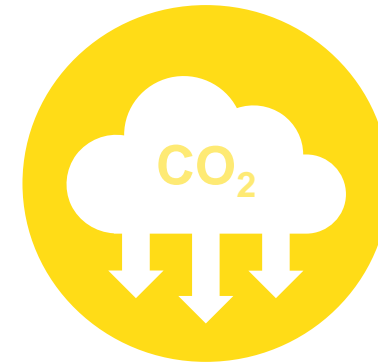
To meet Canada's 2050 net-zero commitments:



3X Retrofits

\$5.4B

annual cost
required



move towards
deeper retrofits

Sources:

Efficiency Canada (2021). Canada's Climate Retrofit Mission
RBC (2021). The \$2 Trillion Transition: Canada's Road to Net Zero
IEA's World Energy Outlook Report, Dec 2021

Where is the industry at?

EARLY DAYS FOR RETROFITS



- Limited market awareness & experience.
- Limited data & models to prove impacts of \$ = CO2 reductions.

CHANGES TO FINANCE AS USUAL



- Perceptions of risk & longer timeframe.
- Complexity integrating govt. incentives & private financial offers.

BROADER SYSTEMS CHALLENGES



- Limited demand & unclear incentives for building owners.
- Multiple stakeholders need to be involved (contractors, utilities)

Who is the market?

- **Incredibly diverse market:** Range of sophistication, motivation, influences
- **Strained Capital:** Tenant race to quality with higher vacancies.
- **Business case for retrofits unclear,** without non-financial motivation. Limited capital planning.
- **Lack of capital plans,** leading to like-like replacement.
- Loose analysis of Toronto Class B & C commercial building ownership*:
 - 46% owned by a single building owner
 - 22% owned by those with 2-5 properties
 - 16% owned by companies with 5-10 properties
 - 15% own owned by companies with 10+ properties

* Total of 524 business ownership records analyzed.



Shift in Government Role

- Federal government incentives – reaching limits on incentives
 - Conclusion & shift of residential Greening Homes Grant
 - Investment Tax Credit (\$25.7B incentive) delayed.
 - Uncertainty around the future of the Carbon Tax
- A few major cities beginning to implement standards for existing buildings (Vancouver, Toronto)
- Beyond government, what will create incentives to retrofit?



Today's Panelists



Aaron Berg

Director of Investments

Canada Infrastructure Bank



James Burrow

Director, Sustainable Finance

BMO



Jon Carrick

Senior Business Development
Manager, Climate Finance

VCIB

Canada Infrastructure Bank: Building Retrofits Initiative

Aaron Berg, Director, Investments
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Invest in impact infrastructure which delivers public-good.

Climate action, Indigenous participation, connected communities, economic growth



Address financing gaps to help projects advance.

With flexible financing terms and patient risk capital, we unlock critical infrastructure projects.



Grow innovative partnerships

Government, Indigenous, private / institutional partners in revenue-generating infrastructure and we get paid back.



More infrastructure built sooner.

Crowd-in private financing towards projects in the public interest – with less reliance on the taxpayer for grant funding.

Partnerships across Canada



Note: Figures based on the Quarterly Financial Report Q3 2023-2024 (ending December 31, 2023.) with pending project announcements in cooperation with our partners.

Partnerships

56

CIB investment:

\$11.6B

Total capital value:

\$31.7B



Delivering results

We measure the return of the projects we finance through outcomes and impact:

- greenhouse gas reductions
- increased public transit use
- access to broadband
- growing our trading capacity
- closing the Indigenous infrastructure gap

Outcomes



200,000

Acres irrigated



45

Indigenous
communities
benefitting



7.4Mt

GHG reduction



174,000

Daily Trips



375,897

Households connected to
broadband

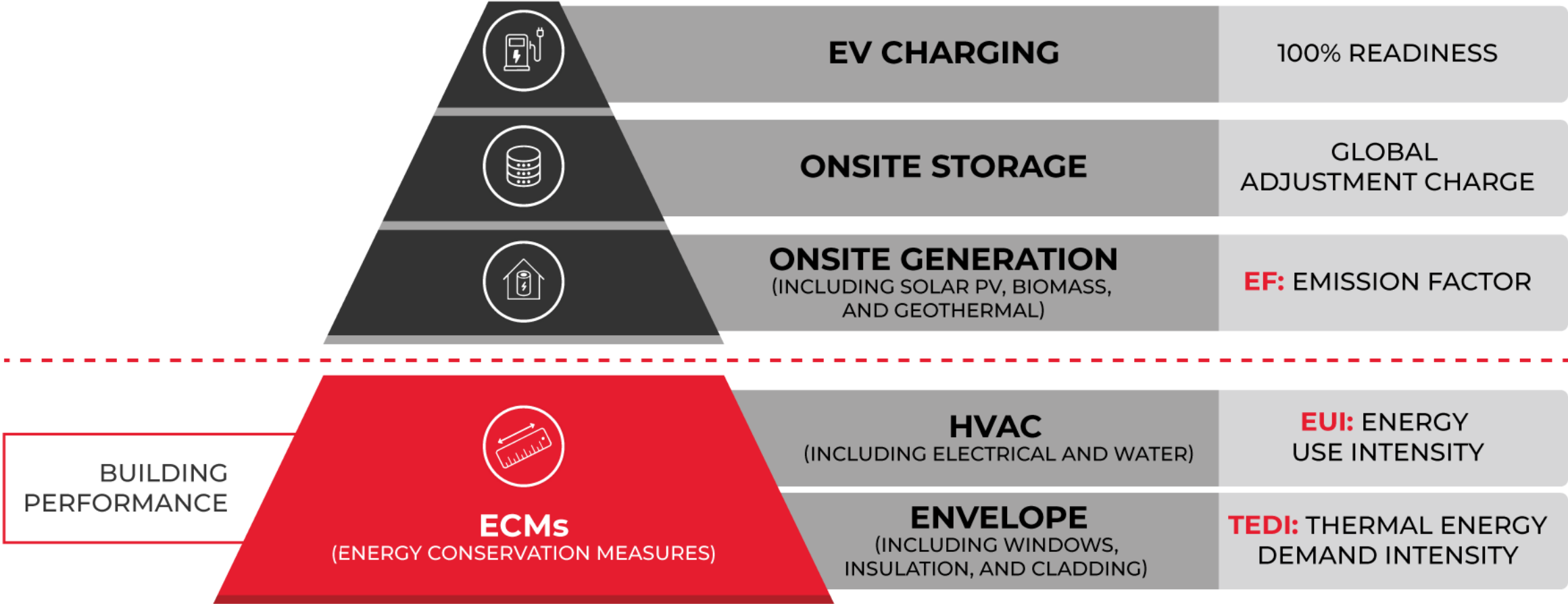
Building Retrofits Initiative (BRI)

- **The Building Retrofits Initiative invests in the decarbonization of buildings. By providing attractive financing to reduce investment barriers, we help building owners reduce emissions.**
- The CIB works with the public and private sector as well as other market participants.
- Our investments are repaid using the cost savings from more energy efficient buildings and lower operating expenses.
- Eligible projects must reduce CO₂e emissions by at least 30% and interest rate pricing tied to the depth of CO₂e reductions with 50%+ reductions qualifying for the lowest interest rate



Building Retrofits Initiative

Scope of Decarbonization Retrofits



TEDI + EUI * EF = GHGI: Greenhouse Gas Intensity

Delivery

Investments under BRI can be delivered to the market through three approaches, each of which require a minimum CIB investment of \$50M.

Direct Investment	Project Finance (Aggregator – SPV)	Participation Agreements
<p>Loans to owners of portfolios of buildings.</p> <p>Examples include:</p> <ul style="list-style-type: none">▪ Real estate investment trusts (REITs)▪ Corporations	<p>Loans to privately-owned special purpose vehicles.</p> <p>Examples of owners include:</p> <ul style="list-style-type: none">▪ Energy efficiency and decarbonization retrofit service providers (or equivalent)▪ Third-party investors▪ Utilities	<p>Loans to building owners through partnerships with financial institutions' commercial real estate groups</p>

Do you have
infrastructure
projects we
can help to
accelerate?



Thank you

Contact us at investments@cib-bic.ca

[LinkedIn](#) | [Twitter/cib_en](#) | [Twitter/bic_fra](#)

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Financing Commercial Retrofits



James Burrow, Director
Sustainable Finance



April 18, 2024

BMO-CIB Retrofits partnership



Low-cost financing

x

✓

Project & construction finance expertise

✓

✓

Reach to CRE owners & operators nationwide

✓

x

Benefits of blended finance



Reflections

What's going well...

- >\$30MM deployed, with average decarbonization >60%
- Lots of interest; 100s of conversations around decarbonization
- Clear fit for specific use-cases (e.g., conversion / adaptive re-use)

Challenges...

- Optimal mix of blended finance still being refined
- Third party certifications present logistical / timeline challenges
- Finance is only part of the solution...

Case study: adaptive re-use retrofit

Adaptive re-use or building conversions are the optimal time to improve energy efficiency and decarbonize a building:

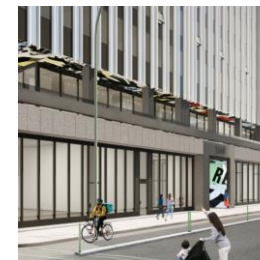
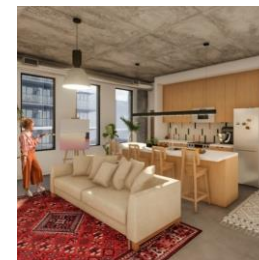
- A deep energy efficiency retrofit coinciding with other capital works **minimizes the period when no income is generated**
- Conversion work creates a **once-in-a-generation opportunity to install highest-yielding energy conservation measures** to the building structure and interior at lower cost
- Incorporating a decarbonization component to conversions can **improve project economics** by unlocking attractive incentives
- Optimizing the energy efficiency of a building during conversion ensures **proactive compliance with municipal building performance standards** (see appendix)

Additionally, adaptive re-use eliminates the significant greenhouse gas emissions associated with new construction

SIDE WALK

Sidewalk Real Estate Development

- Office-to-residential conversion of the Centennial Building, Halifax, NS
- Financed through BMO Retrofit Program
- **Created 141 units of rental housing** in the downtown core of Halifax by converting a largely vacant office building
- **Reduced the buildings annual emissions by ~67%**
- **Avoided over 5,000 tonnes of additional GHG emissions** by electing to convert an existing building rather than build new



Thank you!

James Burrow, Director, BMO
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Financing Residential Retrofits



NATIONAL BUILDING
DECARBONIZATION
FORUM | APRIL 2024

Jon Carrick, Senior Business Development Manager

Vancity Community
Investment Bank™

April 18, 2024

VCIB: A Values-Driven Bank

WE ARE THE ONLY

Canadian Schedule 1 chartered bank **exclusively focused** on financing social, economic and environmental change. VCIB is also a Certified B Corp™.

WE WERE BORN

from the **values-based, community-first** model by **Vancity**, Canada's largest credit union with over 560,000 members.

WE ARE COMMITTED

to being net-zero by 2040 across all mortgages and loans across the Vancity Group.

VCIB's focus:

Social Purpose Real-Estate Financing

- **Construction, term, retrofit and acquisition financing** for commercial real estate developers not-for-profit organizations committed to building affordable and sustainable communities.

Clean Energy Financing

- **Construction and term financing** for renewable energy projects, energy storage projects, geexchange heating & cooling systems, energy efficiency retrofits, and electric vehicle infrastructure.

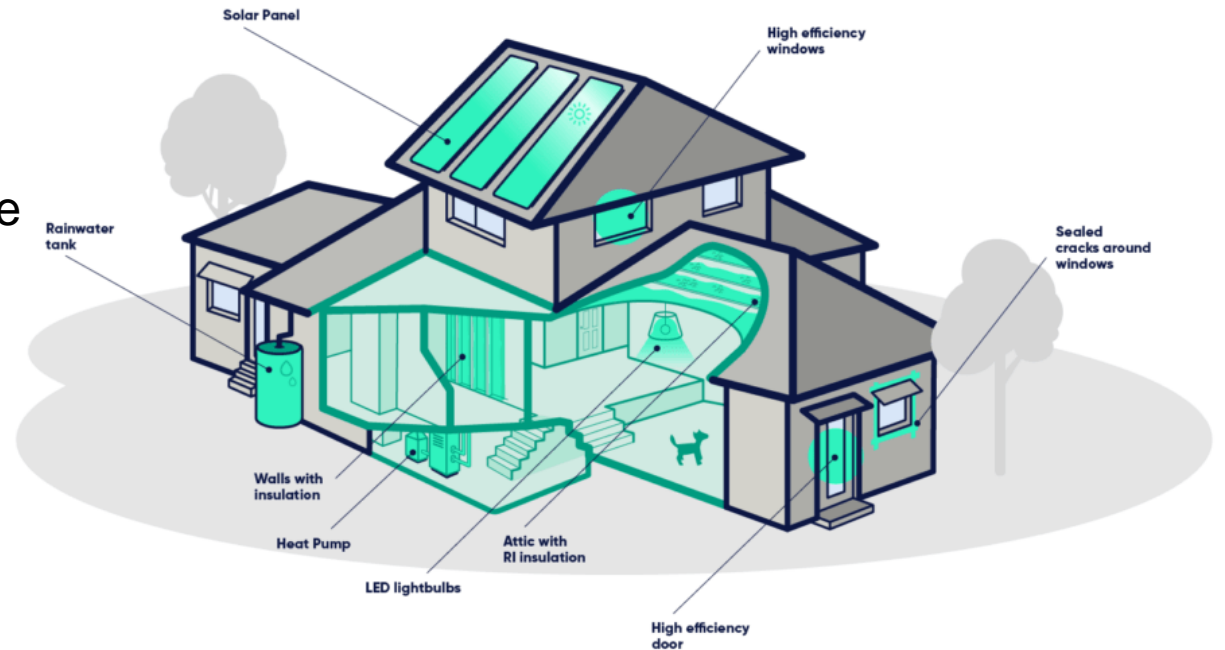
***Vancity** is also a strong proponent of retrofits with its Non-Profit Housing Retrofit program, launched in 2022, that provides \$5 million in grants to help non-profit housing providers and housing co-operatives in BC finance energy retrofits.*



Example: Better Homes Ottawa Loan Program

VCIB worked with the City of Ottawa to arrange \$33.9 million in financing - essentially making the program possible since private capital was required for the city to access \$12.2 million in funding from the Federation of Canadian Municipalities' Green Municipal Fund.

This partnership showed that with supportive public and private partnerships in place, municipalities can create impactful programs that serve residents' needs while helping all of us advance on the path to net-zero.



The program offers **20-year, low-interest, loans from \$15,000 to \$125,000 for homeowners** to finance energy efficiency projects.

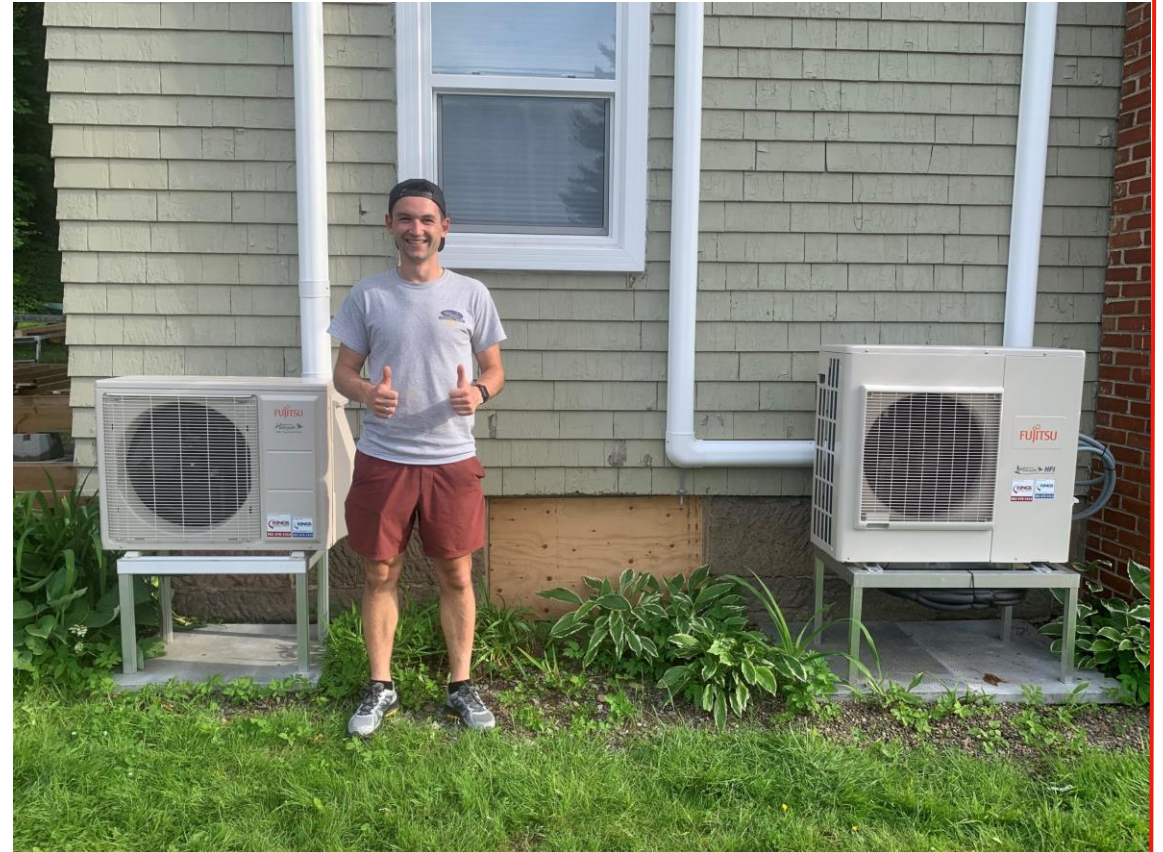
Homeowners repay these loans to the City of Ottawa through a local improvement charge attached to their property tax bill.

Example: SwitchPACE CIC's West Hants Project

SwitchPACE CIC – a Community Interest Corporation based in Halifax, Nova Scotia provides **Property Assessed Clean Energy (PACE)** financing to residential homeowners.

Often offered by municipalities, PACE loans provide flexible, low-cost financing for homeowners to carry out energy efficiency upgrades on their properties with no upfront costs – including geothermal heat pumps, air heat pumps, solar panels, window upgrades, insulation, and air sealing, amongst others.

Homeowners repay the PACE loans through pre-authorized monthly payments to SwitchPACE CIC.



Thank you!

Jon Carrick, Senior Business
Development Manager,
Climate Finance, VCIB

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Table Discussions



**NATIONAL BUILDING
DECARBONIZATION
FORUM | APRIL 2024**

David Messer, Director



April 18, 2024

Table Discussions

1

Individually reflect on the following question, then **discuss** them at your table:

- What is your **experience** with how financing plays a role in getting building decarbonization done? If you consider yourself a buyer, what could be improved? If you consider yourself a seller, what are your customers asking for?
- What are the main **motivators** you have encountered that drive building decarbonization projects?
- How can financing support the **sales process** to help buyers decarbonize their buildings?

2

Discuss these **additional questions**. You will be asked to **share responses** with the room.

- What were your **key takeaways** from this session's panelist and table discussions?
- What can we **collectively do to accelerate** the pace of financing building decarbonization activities?

Thank you!

David Messer, Director
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