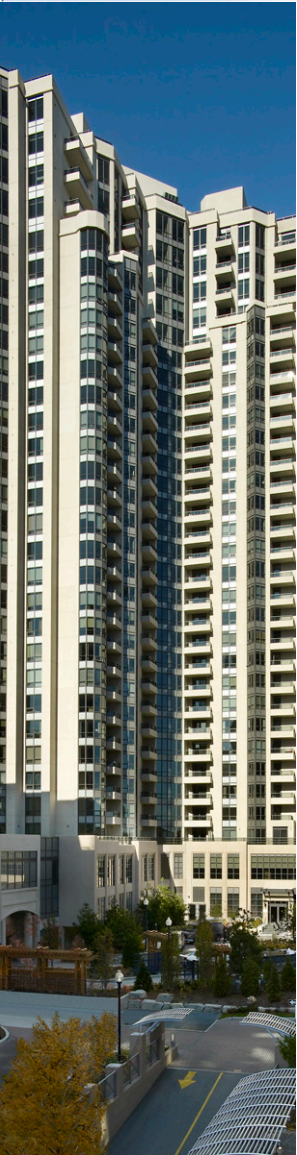


Green Condo Loan

Making energy efficient condominiums the new normal



Tridel's Grand
Triomphe 2

TAF's GREEN CONDO LOAN PROGRAM has helped to transform the construction approaches of major builders in the booming Toronto condo market. This is a key achievement given that 40% of residential greenhouse gas emissions in Toronto come from high rises and that 90% of new residential construction in Toronto is condominiums.

Prior to the Green Condo Loan, builders were reluctant to go beyond basic building code requirements for mechanical equipment and building envelope (walls, windows, doors, roof), believing that buyers would not be willing to absorb the additional costs of integrating highly efficient equipment in these largely unseen building elements.

The Green Condo Loan program demonstrated a few key results:

- The incremental cost of integrating energy efficient measures was much lower than builders expected, especially when improvements were “designed in.”
- Improving a new building's energy efficiency by 25% or more was easily achievable
- There was a strong market appetite for “environmentally responsible” buildings

How it worked

The Green Condo Loan took a novel approach to bridging the divide between builders who wanted to keep unit costs competitive and unit buyers who often ended up paying higher than necessary utility costs. TAF offered to finance measures that would allow the building to significantly exceed the energy performance of a building built to the Model National Energy Code for Buildings (MNECB - by 25% or more).

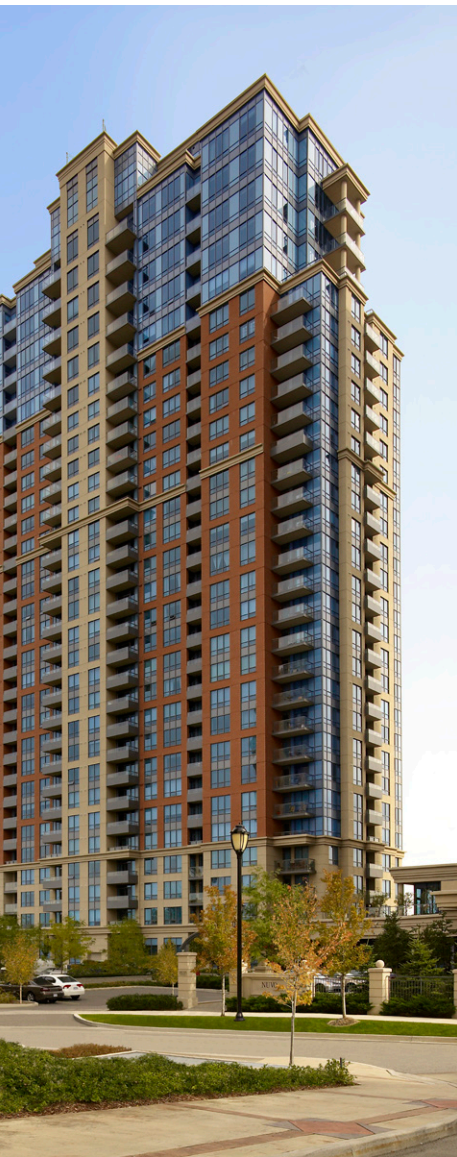
But the twist was that paying back the loan would actually become the responsibility of the condo corporation rather than the builder. The rationale was that the condo corporation would enjoy reduced utility costs thanks to the upgrades and would therefore have more than sufficient cash flow to service the loan. Because the the loan payments were designed to be less than the utility cost savings, some of these savings could be passed to residents in the form of lower condo fees as well.

Proven results

TAF piloted the Green Condo Loan program in cooperation with Tridel, one of Toronto's most successful builders, which chose to integrate in the second part of its Nuovo complex a number of improvements in heating and ventilation equipment and the building envelope. This provided a great way to compare two very similar buildings (Nuovo I and Nuovo II) built to different standards (MNECB and 25% above MNECB). A preliminary analysis indicates that Nuovo II, despite being slightly larger than Nuovo I, has indeed reduced overall energy costs by 25%. Most remarkably, Nuovo II uses about half the natural gas of its sister building, thanks to slightly more efficient boilers, heat recovery ventilators and a tighter building envelope.



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The success of TAF's early work with Tridel led a number of other builders to seek Green Condo Loans, including Monarch, Daniels, Remington and TAS Design. TAF eventually approved 10 loans worth \$3.5 million. However, a few different factors combined to make the Green Condo Loan program redundant:

- Seeing the evidence of the large savings that could be achieved with only modestly higher per-unit costs, the City of Toronto developed the Toronto Green Standard, which made 25% above MNECB a minimum requirement for new construction and provides rewards (development fee rebates) for builders who achieve 35% or better.
- Builders themselves saw that the public well understood the value of a better built building that would have lower operating costs. Tridel, for example, has now built 17 projects to this new standard, reducing GHG emissions by approximately 65,000 tonnes per year. The builder is now committed to ensuring all of its new condominiums achieve LEED certification.

The **Toronto Green Standard** was an effective way to level the playing field for all builders and also removed some of the complexity involved in the Green Condo Loan approach, such as Condominium Act provisions that limited the builder's right to assume future liabilities on behalf of the condominium corporation that would assume ownership of the building once it was complete.

The result was that the Green Condo Loan project served its purpose:

- It gave builders the confidence to try new approaches to making their buildings more energy efficient
- It provided real-world evidence that savings would far outweigh costs
- It demonstrated that buyers did understand the value of improvements in energy performance
- It showed builders that they could achieve a green standard without damaging profitability

TAF continues to work with the high-rise sector to improve energy performance. It is now focused on overcoming the financial barriers to energy retrofits in existing buildings with its TowerWise.ca program and Energy Savings Purchase Agreements.

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