



# towerwise green condo loans

## What is TowerWise?

TowerWise is a Toronto Atmospheric Fund (“TAF”) program that focuses on reducing energy use and greenhouse gas emissions in the high-rise sector. This sector is responsible for more than 40 % of the residential production of greenhouse gases in Toronto. TAF has developed a “Green Condo Loan” focused on new condominium construction and is actively developing a program for the retrofit market.

## What is a “Green Condo Loan”?

A Green Condo Loan is an innovative financing tool developed to help pay for high performance energy-efficient equipment and materials in condominium high-rise dwellings. It brings together a lender, (TAF and its partners) interested in the environmental benefits of energy performance; a developer who wants to build a high-performance building as cost effectively as possible; and a Condominium Corporation and unit holders, who will benefit from energy-related cost savings during the life of the installed equipment.

The lender invests in the condominium building with funds specifically earmarked for energy-efficient upgrades that are over and above current building code requirements. The Condominium Corporation repays the loan with funds that would otherwise be used to pay higher heating and cooling and electricity bills — we call these savings “Green Dollars”.

## Why is it called a Green Condo Loan?

High-rise buildings are a major contributor to residential greenhouse gas emissions in Toronto. By reducing energy consumption, building residents can help to reduce air contaminant and greenhouse gas emissions that result from both electricity generation and the burning of natural gas for heating.

## How much more efficient could a new condominium be?

In some cases the energy-use reduction, depending on the types of materials and equipment introduced, can be a hefty 40 % over a comparable building built **today** to National Model Building Code standards. In other cases, the opportunity will be determined by computer modeling. Our experience is that 25 % for new buildings and 15 % for older retrofits is not uncommon.

## What is the “Green Condo Loan” enhancement facility?

TAF has established a loan facility whereby it partially guarantees pools of TAF-vetted Green Condo Loans made in the market by various lending institutions to new high-rise multi-residential condominium buildings. In other words, TAF backstops loans from commercial lenders, making financing for energy efficiency upgrades more accessible and affordable.

## What is LEED and is that the same as “going green”?

LEED is the acronym for Leadership in Energy and Environmental Design (see [www.cagbc.org](http://www.cagbc.org)) and although LEED certification encompasses a wide array of conservation measures, including energy use, we at TAF concentrate on the energy piece. There is some overlap and energy savings are encouraged by both, but most importantly LEED is not a loan program.

## What is my business incentive to do this?

To answer that question one has to determine who you are. Let’s take a look at this from the perspective of the developer of a new condominium, for whom the business reasons are compelling:

1. Building codes will soon become more rigorous as new standards are phased in. Companies that have already been working to higher standards will find the transition seamless and will enjoy a competitive advantage over those that have not made the adjustment.
2. A more energy efficient and eco-friendly building will, at a minimum, retain value or improve in value when compared to an inefficient building. Your developments will be more desirable in both the short and long terms, and therefore more marketable.
3. By demonstrating leadership, you are showing that you have a vested long-term interest in your client’s well being, which always translates into the sustainability of your own business. Energy prices will rise. More efficient buildings will be less expensive, keeping more money in your clients’ collective pockets and your reputation as an energy-aware builder will become more and more valuable.
4. Consumers are already demanding far greater energy and environmentally conscious measures and we believe that in the near future you will be able to add some of these costs to the sale price. It’s already happening in some cases — your competitors are already moving this way.
5. Side-by-side with a less energy-efficient building, your building will show better and demonstrate that you are sensitive to what the market now cares about more and more every day.
6. It’s good for the local environment, economy and the planet. If it wasn’t, you wouldn’t do it.
7. Your grandchildren will thank you. We think that is a more compelling reason than any other.

## Doesn’t individual metering reduce the need to renovate or upgrade?

Individual metering will always play a role in improving energy conservation efforts. Properly integrated measures, however, create longer-term conservation opportunities that are not tied to the particular habits of the occupant. As well, most meters only deal with lighting and electricity consumption within the unit. Heating and cooling the building is clearly one of the major uses of energy and generally is not individually metered. Additional measures can reduce energy leakage and save money even with individual metering.

## How are the loans repaid?

Energy savings reduce energy costs and those reduced costs or (“Green Dollars”) provide the cash flow required to repay the loans. The loan is made at a fixed rate or floating rate of interest and the amortization period is up to 10 years.

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## What happens to operating costs and cash flow?

Maintenance costs do not increase as a result of the funds borrowed (in many cases, they will actually decrease). Over time as energy prices rise and the loan is repaid, energy cost savings will increase or decrease as a percentage of maintenance and operating expenses. As such, cash flow is either improved or, at worst, neutral. Most borrowers choose fixed rate loans to reduce the administration and reduce the potential for the loan payment to exceed the savings should interest rates spike.

## What are the uses of the funds?

To be aligned with our mandate, funds must be used for projects that reduce greenhouse gas emissions. Our target is a minimum 25% reduction for new condos.

## What is the overall procedure?

The procedure is fairly simple: The building developer commissions a model or study of the building's projected energy uses using the developer's normal practices as the "benchmark" or base level.

Incremental changes in building materials and the addition of particular types of equipment can be introduced into the model. It can then calculate the potential energy savings ("green dollars") that will result from these changes.

Once the construction or retrofit is completed, the projects architects and engineers must certify that the products and materials covered by the Green Condo Loan have been installed.

## Who finances the construction period?

In the case of new buildings, the developer finances the work and materials and is paid out on completion from the Green Condo Loan.

## What are my risks? Can they be offset?

One risk that should be considered is the potential difference between theoretical and actual results. In other words, if the model overstates the savings, the loan repayment period may be well beyond what is expected

In this context, it is important to be aware of the following:

1. Energy retrofits have been going on for years with great success;
2. Certain businesses that install equipment or materials are so confident of the savings expected that they are often willing to guarantee to make up the savings if the actual results are lower than warranted;
3. TAF has a flexible approach and will change the amortization period if required and reduce the principal amount payable in the early years.

## What security is required?

TAF requires various undertakings and security. Purchasers of new condominiums are asked to sign acknowledgements of their understanding of the loan at the time of purchase. .

## What other incentives and grants are available?

Toronto's Better Buildings Partnership, Toronto Hydro, Enbridge and the Ontario Power Authority may also have applicable programs. Incentive programs change on a regular basis. The Better Building Partnership ([www.toronto.ca/bbp](http://www.toronto.ca/bbp)) maintains an updated list of incentives.

## What are key qualifiers?

The project must be a new development located in Toronto that can achieve a 25% reduction in energy use. The loan amount must amortize itself over a maximum of 10 years with the payments covered by expected Green Dollar savings at a ratio of 1.3:1. And, finally, a "Green" attitude and commitment to the process.

## What rates and returns does TAF expect on its investment?

TAF will negotiate a rate of return that is commensurate to the risk of the investment. But TAF brings far more than money to the table: Our contacts in the private and public sector, our knowledge of stakeholders, our ability to grasp the impact of a project or product are core components of what we bring to the table.

## In one word can you describe TAF's approach?

That word is flexibility!

The nature of both our organization and our endowment means that we have a significant amount of flexibility in respect of the repayment term and the term of the loan itself.

## How does an organization apply for funds?

An initial telephone call to the Associate Director Mandate Related Finance, Tim Stoate, is the best starting point: 416-393-6368. A standard application is available. E-mail: [tstoate@tafund.org](mailto:tstoate@tafund.org) or visit our website: [www.toronto.ca/taf](http://www.toronto.ca/taf). Projects need to be situated in the 416 area code to qualify.

## Who cannot apply?

Entities not based in Canada and entities where it cannot be determined that products and service offerings will have a positive impact on the citizens of Toronto.

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