

# EXECUTIVE SUMMARY

The majority of affordable housing in urban centres in Canada is found in aging apartment towers constructed at least 36 years ago. Despite this legacy housing providing affordable supply, these buildings are disproportionate contributors to greenhouse gas emissions (GHG) and are reaching the end of the lifespan of their major building systems. These naturally occurring affordable units must be preserved to address the ongoing housing crisis and must be retrofitted to meet Canada's climate goals. The challenge preventing the deep retrofit of legacy residential towers is financial; the cost to provide a deep retrofit, including GHG emission reductions and addressing state-of-repair, is approximately \$200,000 per unit in the worst-performing buildings. To maintain affordability the cost cannot be borne by rent increases and the utility cost savings alone are not remotely sufficient. As such, new solutions must be sought if we are going to both preserve and retrofit Canada's legacy housing supply.

Under the Inclusive Local Economic Opportunity (ILEO) Initiative, CMHC and the United Way, with support from the Tower Renewal Partnership, convened an Advisory Group of leaders and experts from the development and real estate sectors, the financial sector, nonprofits, government organizations, academia, professionals, and tenant organizations. The Advisory Group worked together to identify and evaluate tools

and business models to preserve affordability after the retrofit process with a focus on piloting the recommended tool(s) in the geographic region of the Greater Golden Mile in Scarborough, an area at risk of losing its existing affordable housing stock..

The group focused on four key financial tools that could individually contribute to bridging the financial gap: direct grants, a retrofit tax credit, favourable retrofit remortgages, and housing stock transfers to not-for-profits. The deep dive into these financial tools included recommendations for various tool improvements, proposals for stacking tools, and approaches for integrating tenant experience and maintaining affordability.

Significant action is required to support sustained deep retrofit initiatives and meet Canada's climate change and affordability goals. There is alignment on policy and activity among federal programs, community and private partners to maintain affordability and retrofit these units; however, they are currently working separately and lack the capacity to meet the challenge in isolation. The tools proposed here are not novel in a global context — programs serving the EU broadly, and Germany in particular, have been successfully performing retrofits for decades and are a key part of their climate change action plans and maintaining affordable housing supply.

Canada has conducted a series of ground-breaking deep retrofit demonstrations of non-profit or social housing buildings across the country with leadership by individual housing providers and financed with targeted investments by federal, provincial, and territorial programs. These demonstrations show deep retrofits that maintain affordability are possible and achievable in Canada, however, significant action is required to support sustained deep retrofit measures, especially across all sectors. Expanding from the Advisory Group's recommendations to improve individual tools, this report highlights a core recommendation to build a Combined Retrofit Remortgage Tool and Grant Program to incentivize private owners to conduct deep retrofits of their buildings while maintaining affordability and reducing emissions.

Implementing the recommendations proposed in this report are necessary steps for immediate action toward the preservation and deep retrofit of legacy housing. To enable a broader ecosystem, the report concludes with a series of complementary recommendations related to retrofit standards, industry readiness, and cross-sector innovation. Together, these actions will increase uptake, reduce risk, and be self-sustaining, leading to the scaling required to meet housing affordability and decarbonization objectives.

# RETROFIT ADVISORY GROUP

## Purpose and Mandate

While there are successful examples of deep retrofits in the social housing sector, private multi-unit residential buildings (MURBs) have proven challenging for deep retrofits while maintaining affordability; the capital costs, financing programs requirements and housing security implications make for a tough business case.

The ILEO United Way team and CMHC convened the Retrofit Advisory Group to advise on the challenge statement: ***How might we motivate private building owners in the Greater Golden Mile to meet climate objectives by undergoing deep retrofits in a manner that maintains housing security for tenants?***

The group iterated, validated, and tested business models to address the challenge statement to encourage private building owners in the Greater Golden Mile to undertake deep retrofits (e.g. complete retrofit), and, simultaneously, ensure housing security for the existing tenants by minimizing disruption during the retrofit process and maintaining and preserving affordability once the retrofit is complete.

The Retrofit Advisory Group is composed of leaders and experts from the development and real estate sectors, financial sector, non-profits, government organizations, academia, professionals and tenant organizations.

## Who attended

### Co-Chairs:

- **Mwarigha**, VP Housing and Homelessness, Woodgreen Community Housing
- **Nik Schruder**, Advisor, Climate Change Office, CMHC

### Advisory Group Members:

- **Aaron Berg**, Canadian Infrastructure Bank
- **Andy Broderick**, Managing Director, New Market Funds
- **Bryan Purcell**, VP Policy and Programs, TAF
- **Daryl Chong**, President & CEO, Greater Toronto Apartment Association
- **Giovanni De Benedictis**, National Manager, Key Accounts, Client Relationship Management, CMHC
- **Graeme Stewart**, Principal ERA Architects, Tower Renewal Partnership
- **James Burrow**, Director Sustainable Finance, BMO
- **Laura Hammond**, Tenant Engagement Representative, TCH resident
- **Laura Tozer**, Asst. Professor of Environmental Studies (leading the Just Transition Research project, University of Toronto)
- **Lauralyn Johnston**, A/Manager, Tower & Neighbourhood Revitalization, Housing Secretariat, City of Toronto
- **Matt Zipchen**, President, Efficiency Capital
- **Noah Slater**, City of Toronto Housing Secretariat

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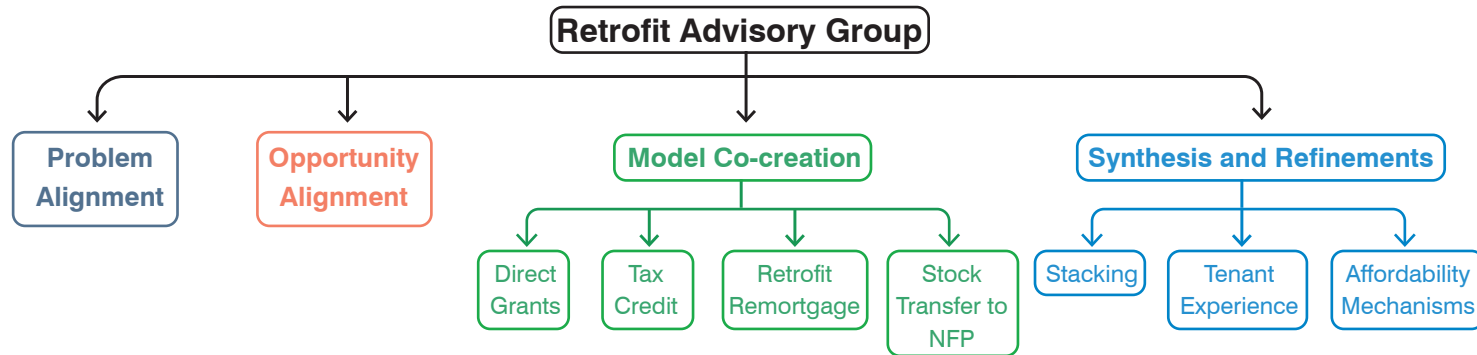
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# RETROFIT ADVISORY GROUP

## Process



The Retrofit Advisory Group convened regularly over 3 months to first align on the problem, identify and prioritize proposed opportunities, vet and iterate those opportunities through model co-creation and finally synthesize the models and identify refinements and constraints.

A full summary, including research notes and discussion points, is presented in an appendix which provides summaries of the opportunities that were investigated (Direct Grants, Tax Credits, Retrofit Remortgages and Stock Transfers to Not-for-profits), then summarizes the strategies for synthesis and refinements of these model tools (Stacking, Tenant Experience and Affordability Mechanisms.)

For additional information, please click links below

[WORKSHOPS FULL SESSION NOTES](#)

## Highlighted Comments

**Combine the granting and financing pipeline** so financiers can help owners access grants and include these into the lending assessments

**Tie funding to savings performance:** the deeper the savings, the greater the funding

**Enable a “one stop shop”** that can support with various types of financing. This may be a **concierge service** who can provide clarity, forward guidance, and redirection to programs the owners are eligible for

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