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**REPORT TITLE:**     **Loan and Grant Agreement with the Federation of Canadian Municipalities to Support Deep Decarbonization of Weaver's Hill**

**FROM:**             Davinder Valeri, CPA, CA, Chief Financial Officer and Commissioner of Corporate Services

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## **RECOMMENDATION**

- 1. That the Regional Municipality of Peel enter into a Green Municipal Fund (GMF) Loan and Grant Agreement GMF 18314 with the Federation of Canadian Municipalities (FCM) to receive a grant of \$4.1 million and loan of \$5.9 million to support a deep decarbonization project at a multi-unit residential building, Weaver's Hill, on business terms satisfactory to the Chief Financial Officer and Commissioner of Corporate Services, and on legal terms satisfactory to the Regional Solicitor; and**
- 2. That the Chief Financial Officer and Commissioner of Corporate Services and the Regional Treasurer and Director of Corporate Finance be authorized to complete the transaction associated with the GMF Loan and Grant Agreement GMF 18314, including the execution of all documents required or appropriate for that purpose on terms satisfactory to the Chief Financial Officer and Commissioner of Corporate Services, and on legal terms satisfactory to the Regional Solicitor; and**
- 3. That the Chief Financial Officer and Commissioner of Corporate Services and the Regional Treasurer and Director of Corporate Finance be authorized to enter into and execute a Contribution Agreement between Peel Region and Peel Housing Corporation, on business terms satisfactory to the Chief Financial Officer and Commissioner of Corporate Services, and on legal terms satisfactory to the Regional Solicitor; and**
- 4. That \$10,000,000 of the funding source for the Weaver's Hill Pacesetter capital project #22-7202 be changed from the CFSR - General Government Reserve (R0230) to \$5,900,000 Federation of Canadian Municipalities Loan and \$4,100,000 Federation of Canadian Municipalities Grant.**

## **Loan and Grant Agreement with the Federation of Canadian Municipalities to Support Deep Decarbonization of Weaver's Hill**

### **REPORT HIGHLIGHTS**

- Currently, existing buildings are the largest source of corporate greenhouse gas (GHG) emissions, accounting for about 50 per cent of the Region's total GHG emissions, which makes prioritizing and accelerating building decarbonization essential to achieve the Region's GHG emissions reduction target of 45 per cent below 2010 levels by 2030.
  - Existing State of Good Repair (SOGR) plan for Weaver's Hill has intensive capital work planned in 2022-2025 that present significant and timely opportunities to reduce building-based GHG emissions at an optimal cost with minimal occupant disruption.
  - It is estimated the total cost of this work will be \$23.5 million, with \$12.25 million funded by Peel Region and \$11.25 million funded by Peel Housing Corporation.
  - The Weaver's Hill Pacesetter capital project #22-7202 was approved through Peel Region's 2022 budget with \$12.25 million in funding from capital reserves. The FCM loan and grant will replace \$10 million of the project's capital reserve funding. Annual principal and interest costs estimated at \$372,000 per year will be incorporated into the operating budget in 2026.
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### **DISCUSSION**

The Region's approved Climate Change Master Plan (2019) established a corporate GHG emissions reduction target of 45 per cent reduction by 2030 compared to 2010 baseline. Within the Region's GHG emissions inventory, buildings are responsible for about 50 per cent of the total corporate GHG emissions, which makes prioritizing and accelerating building decarbonization essential to achieve the Region's 2030 GHG emissions reduction target. Buildings represent a significant share of municipal GHG emissions and their decarbonization is a common priority action across municipal climate action plans.

A two-tower residential building complex, Weaver's Hill, owned and operated by Peel Housing Corporation (PHC) has most of its mechanical systems at the end of their useful life and were planned to be replaced through the SOGR program between 2022-2025. This presented a strategic opportunity to significantly reduce the building's operational GHG emissions by employing high energy efficiency and low carbon mechanical systems.

When completed, the project will reduce the building's GHG emissions by approximately 90 per cent or a reduction of 1,000 tonnes of eCO<sub>2</sub>/year and a total energy consumption reduction from the building operation by 41 per cent. This project makes a significant contribution towards meeting the corporate GHG reduction target and acts as a pacesetter project for future building retrofits.

As a matter of best practice, Peel staff identify available external funding and financing programs to support decarbonization and energy efficiency improvement efforts for capital projects. In the case of Weaver's Hill, the most significant financial support was available through the GMF program of the FCM.

The GMF funding application for Weaver's Hill decarbonization project was successful and FCM offered Peel Region a combination of \$4.1 million grant and \$5.9 million loan with details to be determined through the GMF Loan and Grant Agreement GMF 18314 Agreement (the Agreement).

## **Loan and Grant Agreement with the Federation of Canadian Municipalities to Support Deep Decarbonization of Weaver's Hill**

### **RISK CONSIDERATIONS**

Final Loan Disbursement Deadline currently in the draft Agreement reflects January 11, 2026. Should the Region fail to satisfy the Conditions of Disbursement and receive the entire Principal Amount of the Loan on or before this date, FCM at its sole and absolute discretion can terminate the Agreement. This clause could put at risk all or a portion of the funding from the loan and grant, should the Region not be able to draw the full amount of the loan by the above date. Extensions of up to one year can be requested, but FCM has no obligation to extend the final loan disbursement deadlines.

Under the Agreement there are also significant obligations, reporting, and other information requirements, which, if not satisfied, could result in the Region being subject to the remedies available to FCM under the Agreement. This could include termination of the Agreement, terminate any requirement for FCM to make further disbursements, among others outlined in the draft Agreement.

### **BILL 112 RISKS AND IMPLICATIONS**

On June 8, 2023, the Province passed Bill 112, the Hazel McCallion Act (Peel Dissolution), 2023 and created a Transition Board to make restructuring recommendations to the Province. The Transition Board was dissolved on December 31, 2024 pursuant to O. Reg. 547/24. The Transition Board's recommendations have not been released to the Region.

On December 12, 2024, Bill 240, the Peel Transition Implementation Act, 2024 was introduced. If passed, Bill 240 would have resulted in a transfer of regional services including all regional roads, and waste collection within the City of Mississauga, to the lower tiers on or about July 1, 2026.

As a result of the 43rd Parliament of the Province of Ontario dissolution, all parliamentary business, including consideration of Bill 240, has been terminated.

It is unclear at this time how the current provincial government will proceed following the general election. Staff will report back to Council when additional details become available.

### **FINANCIAL IMPLICATIONS**

Funding has been approved for this capital project by both Regional Council and the Peel Housing Corporation (PHC) Board for an estimated total project cost of \$23.5 million.

The Weaver's Hill Pacesetter capital project #22-7202 was approved through the 2022 budget with \$12.25 million in funding from capital reserves. With the approval of the FCM loan and grant, \$10 million of the project's funding will be replaced with \$5.9 million in loan funding and \$4.1 million in grant funding.

As this work is being led by PHC, the \$12.25 million in funding will be transferred from this capital project to PHC as a non-repayable grant. Upon operationalization of the project, energy savings realized by PHC from this work will be paid to Peel Region. The parties will enter into a contribution agreement to formally reflect the arrangement.

## **Loan and Grant Agreement with the Federation of Canadian Municipalities to Support Deep Decarbonization of Weaver's Hill**

The capital funding transferred to PHC will be added to \$11.25 million in capital funding approved previously through PHC's budget process.

It is anticipated that the first disbursement of loan funding will be received by Peel Region in late 2025. As the final loan disbursement is currently scheduled to occur in January 2026, annual principal and interest costs will be incorporated into the operating budget in 2026. Based on the loan amount of \$5.9 million and indicative interest rates, the estimated annual principal and interest payments would be approximately \$372,000 per year.

Historically, FCM has provided a reasonable cost of funds (i.e. borrowing rate) relative to other sources of financing available to the Region. Given the sizable grant component of this agreement, in the amount of \$4.1 million, the blended cost of funds on the loan and grant components totalling \$10 million, is expected to result in significant savings compared to other financing options.

### **CONCLUSION**

This report recommends that the Region of Peel enter into a Green Municipal Fund Loan and Grant Agreement GMF 18314 with the Federation of Canadian Municipalities to receive a grant of \$4.1M and loan of \$5.9M to support a deep decarbonization project at a multi-unit residential building, Weaver's Hill.

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