

Recommendations for City of Toronto's BEPS

HOUSING AFFORDABILITY

As Toronto develops its Building Emissions Performance Standards (BEPS) and advances toward its climate targets, it is essential to prevent additional strain on housing affordability. Leveraging existing City of Toronto policies and funding, this memo provides relevant recommendations, referencing best practices from other North American jurisdictions. While the housing affordability challenge extends beyond the purview of a BEPS bylaw, there is an opportunity to include strong equity measures that protect low- and medium-income tenants, as well as racialized and newcomer communities, preventing the risk of displacement or financial hardship due to a building upgrade.

The most common and successful tools in advancing equity considerations in BEPS are **Alternative Compliance Pathways (ACPs)** and **Financial and Technical Assistance Programs (FTAPs)**. All North American jurisdictions with BEPS have implemented at least one, if not both, of these approaches to provide flexibility and incentives for compliance, while mitigating rent increases through cost pass-through, risk of “renovictions”, and other unintended outcomes for tenants. Refer to Appendix A for a detailed description of these approaches.

Recommendations

Building on the BEPS bylaw development work to date and leveraging other existing City policies, TAF has several recommendations to strengthen equity measures to protect tenants while improving the quality and cost of living conditions:

- Consider special treatment for affordable housing under proposed Alternative Compliance Pathways (ACP), and/or creation of a specific ACP for affordable housing
- Use BEPS revenue and other sources to expand and improve existing funding, financing, and technical support programs for retrofits of affordable multi-family buildings
- Continue to engage equity-seeking groups (e.g., the Equity Advisory Committee) on an ongoing basis to advise on BEPS implementation issues including ACP eligibility and funding, financing, and support programs for affordable housing.

CONTEXT

Ensuring that BEPS implementation does not exacerbate housing precarity is essential for public buy-in and for meeting the City's climate, equity, and housing goals in tandem. There are already several affordability protections built into existing City policies and programs and/or incorporated into draft elements of the BEPS. These include:

- A delayed timeline for application of BEPS to multi-residential buildings (beginning in 2033 compared to 2030-32 for other building types)
- A range of ACPs providing relaxations or extensions to buildings facing financing hardships or buildings unable to comply without replacing new equipment
- Existing City financing programs for multi-residential retrofits prohibit retrofit costs from being passed on to tenants
- Toronto's [Rental Renovation License Bylaw](#) provides an effective way to address renoviction concerns stemming from BEPS compliance

Consider affordability across building types

Toronto's affordable housing stock is diverse, including public housing like Toronto Community Housing, non-profits, co-ops, supportive housing, and a large share of private purpose-built rental buildings operating under rent control. Many of these buildings lack the financial or technical capacity to undertake retrofits without support. BEPS should explicitly recognize this diversity and avoid applying one-size-fits-all requirements. **Definitions of eligible "affordable housing" must be inclusive, reflecting both formally designated and market-based affordability, to ensure that a broad range of tenants are protected.**

Many tenants who stand to benefit most from BEPS retrofits (through lower utility bills, improved indoor air quality, and introduction of cooling especially during extreme heat events) also face the **greatest risk of having retrofit costs passed down through Above Guideline Rent Increases (AGIs)**. BEPS retrofits could unintentionally become a mechanism for increasing rents or encouraging renovictions, particularly in "naturally occurring" affordable housing (NOAH) that lacks formal affordability protections. While the City cannot prohibit AGIs related to capital repairs, landlords cannot pass non-compliance penalties on to tenants.

Leverage existing tools and frameworks

Aligning BEPS with existing financial tools and legal frameworks is critical. Programs such as the City's Energy Retrofit Loan (ERL) program, the Hi-RIS initiative, and federal government funding streams including CMHC Canada Greener Affordable Housing Program and FCM/GMF Sustainable Affordable Housing Program already offer potential pathways to support compliance for affordable housing providers. These programs already have affordability protections built in (e.g., City programs prohibit AGIs from the funded work). However, many NOAH providers that undertake retrofits opt instead for private financing in order to avoid affordability restrictions on these programs. These programs must be made more appealing to housing providers through measures such as lower interest rates, and/or incorporation of grants, to increase enrollment and related affordability protections. It is fundamental that municipal funding programs aimed at supporting deep retrofits of affordable housing are maintained and expanded to ensure continued support for BEPS compliance beyond the timeline of existing federal programs.

Recommended approaches

All North American jurisdictions where BEPS is active, or in development, employ some variation of at least one of the following measures to ensure equitable climate action. The table below summarizes the benefits of these policy tools and provides specific recommendations, leveraging existing City policies and BEPS work in progress.

Policy Tool	Benefits	Leveraging Existing Work
Affordable Housing Provisions Within Alternative Compliance Pathways (ACPs) <i>Boston*, Cambridge*, Colorado*, Denver, Evanston, Maryland*, Montgomery County, NYC*, Newton*, Seattle*, Vancouver*</i> <i>*With GHGi-based targets</i>	<ul style="list-style-type: none"> > Allows case-by-case flexibility on targets and/or timelines for buildings with financial or technical constraints, with opportunity for reassessment as conditions shift > Promotes equitable treatment by recognizing different starting points > Enables equity-deserving populations who are most vulnerable to climate events to have equal access to the benefits of improved buildings through retrofits 	<ul style="list-style-type: none"> > ACPs are already included in staff recommendations for BEPS. Special treatment for affordable housing providers can be embedded into existing ACPs or the creation of a specific ACP for affordable housing.
Recommendations for Affordable Housing Provisions Within ACPs	<ul style="list-style-type: none"> • Consider special treatment for affordable housing under the proposed ACPs, such as: <ul style="list-style-type: none"> ◦ Define affordable housing for purposes of BEPS inclusively to include both market and non-market providers. ◦ Streamline application process and reduce administrative burden. ◦ Allow compliance extensions based on financial documentation (i.e., refinancing periods). • Lower rates for ACPs to affordable housing providers. • Consider applications submitted to qualifying affordable housing retrofit financing programs as evidence of Good Faith Effort. • Consider an additional ACP specific to affordable housing providers: <ul style="list-style-type: none"> • Allow pre-set relaxation of performance targets for rental buildings, proportional to the percentage of rental units in the building that meet specified affordability criteria. • Continue engaging equity deserving groups to advise on implementation of the ACPs from an equity and affordability perspective. 	
Financial + Technical Assistance <i>Boston*, Colorado*, Evanston, NYC*, Seattle*, Vancouver*, Washington DC</i> <i>*With GHGi-based targets</i>	<ul style="list-style-type: none"> > Facilitates access to benefits of improved building performance through retrofits (i.e., cost savings, indoor air quality improvements) for low income, equity-deserving communities > Reduces financial and technical barriers to compliance for under-resourced buildings > Promotes deeper and more ambitious retrofits > Builds trust and participation from equity-deserving communities > BEPS Assistance Programs generally operate as a central hub with resources, providing a central, frequently updated list of other local, provincial, and federal financial supports for retrofits (e.g., Colorado) 	<ul style="list-style-type: none"> > Existing financial and technical retrofit assistance programs (e.g., ERL, Hi-Ris) can be expanded and leveraged to support BEPS compliance by affordable housing providers. > Make access to BEPS assistance funding contingent on Above Guideline Increase (AGI) waiver, in alignment with existing municipal financing models.
Recommendations for Financial + Technical Assistance	<ul style="list-style-type: none"> • Set-aside a percentage of (or all) BEPS penalty or alternative compliance payment revenues to support retrofits in low-income buildings. <ul style="list-style-type: none"> ◦ Prioritize funding allocation towards affordable and rent-restricted housing. ◦ Partner with established local mission-based or community organizations for delivery. • Incentivize uptake of existing municipal retrofit funding programs through measures such as lowering interest rates and/or expanding grants for affordable housing providers. <ul style="list-style-type: none"> ◦ Offer pre-application coaching and technical feasibility studies. ◦ Consider feasibility of allocating funds towards rent assistance/relief fund for low-income renters. • Establish and make available financial and technical assistance programs as early as possible, before compliance is required. • Continue engaging equity deserving groups to advise on implementation of technical and financial assistance programs for affordable housing. 	

APPENDIX A

Policy Tool	Description	Key Guardrails	Notable Examples
Affordable Housing Provisions Within Alternative Compliance Pathways (ACPs) <i>Special treatment for affordable housing under ACPs</i>	<p>Petition-based flexibility for building owners citing hardship, economic infeasibility, or good-faith efforts. Adjustments may include timelines, targets, or penalties.</p> <p>Outcomes:</p> <ul style="list-style-type: none"> • Timeline Adjustments • Target Adjustments • Penalty Adjustments 	<ul style="list-style-type: none"> > Detailed documentation and oversight > Program guardrails are needed to avoid misuse > Risk of inconsistent or inequitable application if criteria are vague – should account for naturally occurring affordable housing (NOAH) buildings > Some jurisdictions require yearly/periodic re-application, which may increase administrative burden for building owners and regulators (e.g., Maryland) > Robust review criteria and consistent application > Timeline adjustment pathways can be designed to respond to affordable housing refinancing and participation in retrofit funding programs such as ERL or Hi-RIS (e.g., Montgomery, Denver) 	<ul style="list-style-type: none"> > Affordable housing is specifically accommodated and defined in ACPs in nearly all jurisdictions with BEPS. > Denver grants timeline adjustments to similarly situated buildings (batch approval) without an application or requirements as a way of minimizing administration. > Boston's BEPS policy requires a nine-member independent Review Board appointed by the Mayor and approved by the Boston City Council. It is prescribed that members must represent expertise in areas such as environmental justice, affordable housing, labour, workers' rights, workforce development, etc. > Denver's BEPS allows flexible compliance based on Financial Solvency Concerns if an owner can demonstrate that the required upgrades would cause the Covered Building to go into qualifying financial distress. > St. Louis provides an Affordable Buildings Extended Compliance Cycle option, offering additional time to meet targets to allow owners to wrap energy upgrades into larger improvement projects at the time of mortgage refinancing.
Financial + Technical Assistance Programs <i>City-Funded Programs</i> <i>Equity Focused Programs</i>	<p>Provision of grants, loans, technical advisors, or retrofit design support targeted at equity-deserving groups or affordable housing.</p> <p>Programs may be funded through revenue from alternative compliance payments and penalty fees, and/or through City funds.</p> <p>Outcomes:</p> <ul style="list-style-type: none"> • Direct grants or low-interest loans • Retrofit design or engineering support • Free advisory services • Programmatic prioritization for equity-deserving buildings 	<ul style="list-style-type: none"> > Impact is limited by funding availability > Uptake may be low without proactive outreach and support > Requires capacity to administer grants or services effectively > Target communities should be represented in the body that directs investment of funds raised through BEPS (e.g., Boston, Cambridge, Evanston) > Early availability of financial and technical supports, ahead of compliance deadlines, helps ease challenge of compliance for under-resourced buildings. (e.g., Seattle) 	<ul style="list-style-type: none"> > Most jurisdictions designate BEPS-generated funds to decarbonization programs for affordable housing and under resourced buildings. (e.g., NYC, Boston, Washington DC) > Seattle offered a Building Decarbonization Grant 4 years ahead of benchmarking, and 8 years ahead of first targets, as well as an Early Adopter Incentive Program. > Colorado offers an Energy Performance Contracting (EPC) model for financing and implementing capital improvement projects. It allows applicants to implement energy conservation and renewable energy measures with little or no upfront cost investment. Resulting utility and maintenance cost savings are then used to pay for the improvements and fund facility maintenance and upgrades. A similar approach (ESPA) has previously been implemented in Toronto. > Denver offers a Residential Condominium Reserves Option. Homeowner associations may apply to change the compliance timeline if the capital reserves fund is less than 30% of the Covered Building's capital reserve study, or extra time is needed to raise funding through dues or special assessments. > IMT advises using carbon emissions and energy burden as metrics for progress. Buildings where these are highest should be among the first to receive energy assessments. Because areas of high energy burdens perpetuate poverty and are often linked to substandard or aging housing stock, they should be prioritized for building assessments, upgrades, and incentives.