

Green Madison
Commercial Program Status
Updated: April 1, 2011

Community Development Block Grant Committee
Thursday, April 7, 2011; 5:00 PM

The Green Madison program is part of the U.S. Department of Energy's (DOE) BetterBuildings initiative, which encourages cities to not only support current energy-efficiency projects, but also to establish an ongoing, sustainable program that includes innovative financing mechanisms that will provide lasting benefits and lead to long-term energy market transformation.

The goal of the Green Madison program is to increase energy efficiency, reduce greenhouse gas emissions, preserve and create local jobs, and promote economic recovery within the City of Madison. In total, Green Madison aims to provide energy-efficiency retrofits to 4,500 homes and 109 businesses, saving residents and businesses energy and money, while protecting the local environment and fostering economic development. Green Madison will be tracking its progress and reporting results to the DOE on a regular basis during the next three years.

The Green Madison Commercial Program anticipates a launch date in the next 6-8 weeks. WECC along with the Green Madison staff is currently reviewing a draft of the Energy Efficiency Financing Agreement. After review of the draft Green Madison staff will submit to Council for review and approval. Below are current activities in play relative to the Green Madison Commercial Program.

Summary of Green Madison program planning:

- ✓ **Target launch date May, 2011**
- ✓ **Currently finalizing program design**
- ✓ **Continue meeting with Financial Institutions**
- ✓ **Combining all three cities loan loss reserve – leveraging potential**
- ✓ **Reviewing legal aspects of Commercial PACE process for Municipalities**
- ✓ **Continue to gauge Business Communities interest in Green Madison Program**

Financial Models:

- A financial model is being developed to assist local businesses with attractive financing solutions that will help make recommended energy-efficiency improvements affordable and assist business owners maintain relationship(s) with their financial institution.
 - Commercial Financing goals
 - Create jobs to stimulate local economy
 - Leverage private capital
 - Mitigate risk
 - Financing options to encourage deep energy efficient upgrades



- Loan Loss Reserve Fund (LLRF) - \$1.2MM LLRF
 - Department of Energy Better Buildings programs requires a LLRF Model for our Financial Institution
 - Combining all three Cities LLRF to leverage \$40-\$45MM loan loss portfolio
 - Provides greater securitization
 - Reduce interest rates
 - Creates a larger pool of funds for lending

- Debt Service Reserve Fund (DSRF) A fund in which monies are placed in reserve to be used to pay debt service if pledged revenues are insufficient
 - 12 months of P&I payments in escrow
 - Maintains leverage in Green Madison program
 - Positive cash flow

- Energy Service Companies (ESCOs) is a business that develops, installs, and arranges financing for projects designed to improve the energy efficiency and maintenance costs for facilities over a seven to twenty year time period
 - Develop, design, and arrange financing for energy efficiency projects
 - Install and maintain the energy efficient equipment involved;
 - Measure, monitor, and verify the project's energy savings; and
 - Assume the risk that the project will save the amount of energy guaranteed

- City of Madison Commercial Funding Programs
 - Community Development Authority

- Property Access Clean Energy (PACE) loans are made to property owners to finance energy efficiency, renewable energy, and/or water efficiency projects, paid via an additional assessment on the property tax bill over an extended time period (up to 20 years).
 - Access to capital, removes up-front cost barriers
 - Lowers cost of capital with longer amortization
 - Promotes energy efficiency projects
 - Limits risk to City
 - Economic activity (jobs and tax revenues)

Green Madison Projects under Consideration:

- Green Madison staff has identified multiple project charters that could potentially allow for greater participation within the Madison community along with deeper energy efficiency upgrade projects.



- Underground Parking
 - As the city considers potential projects for higher efficiency/LED lighting deployment, the underground parking deck represents a compelling opportunity for higher efficiency/LED lighting since the lighting operates 24 hours a day, seven days a week. Community Development Energy Services with assistances from the Department of Planning has identified approximately 482 potential underground parking sites that could be candidates for higher efficiency/LED lighting upgrade projects. The Green Madison program views this as a carve-out market and seeks to refer the indentified projects to an ESCO - (Johnson Controls Inc. could be a viable partner).

- Surface Parking Lots
 - As the city considers potential projects for higher efficiency/LED lighting deployment, Community Development Energy Services will work with the City, County and Commercial property owners to identify surface parking lots that could be candidates for higher efficiency/LED lighting upgrade projects.
 - Some of the benefits of doing a higher efficiency/LED lighting upgrade are: provide the potential for maintenance free operation for 12+ years; anticipated energy savings is estimated between 30 – 60% per year and distributes light precisely for improved target illumination performance with significant reductions in light pollution.

- Commercial Rental Lease Property
 - Property Assessed Clean Energy (PACE) is an innovative municipal finance mechanism that allows property owners to finance energy efficiency and renewable energy project – such as HVAC system upgrade, cool roof, and solar photovoltaic systems – as a property tax assessment. The debt typically secured by a senior lien on the property, which helps programs attract private capital at competitive rates and terms. PACE assessments may be eligible for expense pass-through to tenants, depending on lease structure and local law. In a triple net (NNN) lease agreement scenario the pass-through of assessments would allow tenants and owners to more equitably share in the cost and benefits (lower utility bills) of the energy project.
 - Currently under study is a Commercial/Industrial Real Estate survey, to gauge business property owner’s interest in using PACE funding as an financing option
 - Madison’s commercial sector is composed primarily of small to mid-size building in terms of Sq. Ft. This survey is targeting commercial buildings that have at least 15,000 Sq. Ft.
 - Green Madison staff has received data that indentifies small to mid-size lease space that will assist in the study



Outreach Plan for Green Madison:

- The Green Madison staff will continue to develop partnerships with Financial Institutions; City Business Associations; Utilities; Non-profits; Engineering Firms; Architecture Firms; Contractors and Trade Allies; Affinity Groups; Real Estate Groups and City internal departments to educate and leverage all resources of the program.
- Business Association
 - Greater Madison Chamber of Commerce
 - Madison Central Business Improvement District
 - East Capitol Neighborhood Association
 - East Johnson Business Association
 - Greater State Street Business Association
 - Greater Williamson Area Business Association
 - Monroe Street Merchants
 - Association Northside Business Association
 - African American Black Business Association
 - South Metropolitan Business
 - Eastside Business Men Association
 - Greater Williamson Area Business Association
 - Madison Area Small Business Council
 - Office of Business Resources
 - Small Business Advisory Council
 - West Metropolitan Business Association
 - Madison Latino Chamber of Commerce

- Community Business Groups
 - Wisconsin Bankers Association
 - Leagues of Credit Unions
 - Realtors Association
 - CPA Association
 - Engineering Firms
 - Architecture Firms
 - Local Auditors

- Other Partners and Supporters
 - MG&E
 - Alliant Energy
 - Sustain Dane
 - Sierra Club
 - Planning Councils

- *(This is not an all inclusive list)*

Identifying Small Commercial Business Target Market/Unit Type:

- Green Madison staff has identified multiple target sector that we believe will give us a strong pool to engage in to complete many energy efficiency project. For example:
 - Education
 - Early Childhood Centers
 - Preschool/Day Care
 - Adult Education Facility

 - Food Services
 - Grocery Stores
 - Food Market
 - Convenience Stores
 - Gas Stations with Mini Market

 - Health Care
 - Veterinarian Offices
 - Hospitals
 - Lodging
 - Mercantile
 - Offices
 - Public/Government Facilities
 - Public Safety
 - Religious Worship
 - Service
 - Warehouse & Storage
 - Parking Lot

