

CITY OF MADISON – BUSINESS ENERGY EFFECIENCY PROGRAM

PROGRAM GUIDELINES

NOTICE REGARDING LOBBYING ORDINANCE: If you are seeking approval of a development that has over 40,000 square feet of non-residential space, or a residential development of over 10 dwelling units, or if you are seeking assistance from the City with a value of \$10,000 (this includes grants, loans, TIF or similar assistance), then you likely are subject to Madison’s lobbying ordinance, Section 2.40 MGO. You are required to register and report your lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.

As part of the Recovery Act, the City of Madison has received Energy Efficiency and Conservation Block Grant (EECBG) funds. The Community Development Division will be administering a grant and loan program of approximately \$573,000. These funds will be targeted toward energy efficiency improvements made to commercial, industrial, and institutional structures. Over the next four months, the City will accept applications through a competitive process for projects ranging from HVAC upgrades, lighting improvements, building insulation, new windows and doors, solar and geothermal heating/cooling systems, and any other project that demonstrates the creation/retention of jobs and energy savings.

FUNDING AVAILABLE

1. Green Business Program

Up to \$200,000 will be awarded to eligible facilities for eligible projects. The City will fund up to 50% of the project cost in the form of grant. Any remaining portion of project cost supported by the City, up to 75% total, will be in the form of a long-term deferred loan. A minimum 25% match will be required of the applicant. The value of non-contractual labor (internal labor costs) can be applied towards the match requirement.

An example of funding is as follows:

\$150,000 – Green Business Program Grant (50%)
\$ 50,000 – Green Business Program Loan (17%)
\$100,000 – Applicant (33%)

\$300,000 – Total Project Cost (100%)

Another example is as follows:

\$200,000 – Green Business Program Grant (50%)
\$ 0 – Green Business Program Loan (0%)
\$100,000 – Other Energy Incentives (25%)
\$100,000 – Applicant (25%)

\$400,000 – Total Project Cost (100%)

The grant funds distributed through this program will not require repayment. Those funds distributed as a long-term deferred loan will require repayment as follows:

- 3rd Anniversary of distribution, 10% of amount loaned repaid
- 4th through 7th anniversary of distribution, 10% of amount loaned repaid on each anniversary

- 8th Anniversary of distribution, remaining balance of amount loaned repaid

The interest rate for these loans will be 0%, and there will be no penalty for pre-payment.

The City of Madison encourages the leveraging of Green Business Program funds with other internal and external funding sources. Internal funding sources may include the Façade Improvement Program, Tax Increment Financing, or the Capital Revolving Fund. External sources might be Focus on Energy, or other Federal Stimulus programs

2. Green Business Program (Small Grants)

The City will have \$70,000 available for “Small Grants” of awards at \$10,000 or less. All of these funds will be distributed in the form of grants (will not require repayment); however, a minimum 25% project cost match will be required of the applicant.

An example of funding is as follows: \$9,750 – Green Business Program Grant (65%)
\$1,500 – Other Energy Incentives (10%)
\$3,750 – Applicant (25%)

\$15,000 – Total Project Cost (100%)

3. Energy Audit Program

The City will have \$45,000 available in the form of grants to businesses to complete energy audits. Up to \$10,000 will be awarded in the form of a grant (will not require repayment) per audit, with a minimum of 25% of the audit cost required of the applicant.

An example of funding is as follows: \$3,000 – Energy Audit Program Grant (75%)
\$1,000 – Applicant (25%)

\$4,000 – Total Audit Cost (100%)

Focus on Energy (FOCUS) has a list of qualified firms who perform commercial energy audits. To access information about these qualified audit firms or for more information on Focus on Energy, please visit www.focusonenergy.com.

Applicants who receive funds under the Energy Audit Program are not required to later apply for funds under the Green Business Program. An Energy Audit is not required to apply for funds under the Green Business Program.

ELIGIBLE FACILITIES

Eligible facilities include retail, office, manufacturing, warehousing, and business incubators.

Mixed-use facilities are eligible as long as funding is devoted to those portions of the structure that fall under one of the uses noted above. In cases where the project serves the entire structure, funding available will be pro-rated by reviewing the energy consumption and physical area of residential vs. non-residential uses.

Residential uses (apartments, condominiums, single-family homes, housing cooperatives, etc.) are not eligible for funding under this program.

There are no requirements regarding the size of the facility. Funding can only be used for facilities located within the City of Madison.

ELIGIBLE APPLICANTS

Eligible applicants can include building owners or tenants. Applicants can be for-profit or non-profit. Tenant applications will need to provide written approval from the building owner as part of their application.

ELIGIBLE PROJECTS

Eligible projects include, but are not limited to, HVAC, windows/doors, insulation, lighting, and alternative power sources (solar, wind, geothermal). The City would be very interested in other ideas that Applicants may have.

Funding covers both the cost of equipment and contractual labor costs associated with installation/construction. Please be aware that City and Federal wage requirements apply, as is noted later in this packet.

APPLICATION REQUIREMENTS

An application form will be prepared and included with these guidelines.

Applicants apply for funding to this program by completing the following program application. This application process is competitive. The more detailed the information provided, the more favorably the Review Committee will look upon the application. Specifically, the Review Committee will be looking for the following five things:

Understanding of the Project

Applicants should provide as much information about the proposed project as is possible. Applicants should include cost estimates from a minimum of two contractors regarding installation/construction costs to complete the project.

For projects where equipment replacement is proposed, the Applicant should provide information about both the existing and proposed replacement equipment. For example, if the proposal is to replace an old HVAC system with a new, energy efficient model, the applicant should provide information about the specific system to be installed including costs, energy efficiency, etc.

If the Applicant's project is part of a much larger construction or renovation project, Applicants should itemize the costs associated with the specific project for which they are seeking funds.

Understanding of the Need for the Project

Although not required, Applicants are strongly encouraged to have an Energy Audit prepared prior to submitting an application to provide some context for the need for the project. For example, without an energy audit, an Applicant might be considering

applying for funding to replace an HVAC system, when in reality lighting upgrades may provide greater energy savings.

If an Applicant has not already completed an Energy Audit, they are encouraged to apply for the Energy Audit Program grant funds noted above.

An Energy Audit is not required to apply for funds. In some cases, Applicants may have already made substantial energy efficiency improvements to their structures and the project for which they are applying is the “last item” on their “list.” If an Applicant does not feel that an Energy Audit is necessary to justify his or her project, he or she should simply note the reason for this within his or her application.

Understanding of the Project Financing

Applicants should provide detailed information about how the project is to be financed. A sources and uses statement will be required with each application. Applicants are encouraged to verify that the percentages associated with their request correspond to the requirements noted above.

Applicants are not required to demonstrate financial gap or hardship. Applications will be judged on the energy savings that can be achieved and the jobs that can be retained/created. Applications will not be judged on the Applicant’s ability to pay, with possible exceptions for the Energy Audit Program as noted below.

If the Applicant intends to borrow funds to contribute to their portion of the project cost, they should indicate if they have received commitment for the loan. If the Applicant intends to utilize other funding sources, incentives, etc. for the project, they should indicate whether or not these have already been committed. Please note that these funds do not necessarily need to be committed at the time of application or award. Please see the “Multiple Financing Sources” section below for more information.

Understanding of the Energy Saved

The amount of energy saved by implementing the project will be one of two primary criteria used by the Review Committee to judge whether or not to award funds. Applicants should be prepared to include information about how much energy is consumed currently, and how much energy is proposed to be consumed after the project. Further, the City will look favorably upon projects that conform to energy efficiency standards established by FOCUS.

For example, consider an Applicant who is proposing to replace old incandescent lighting with new energy efficient fixtures. Approximately, how much electricity does the Applicant believe the current lighting requires on an annual basis? How much electricity would the new lighting require?

As cost of energy is constantly changing, Applicants should furnish this information using energy measurements versus dollars. For example, in the case of the lighting example above, an Applicant should submit the estimated electricity usage and savings in kWh.

Understanding of Jobs Retained/Created

One of the primary goals of this program is the retention/creation of jobs within Applicant's business. It is within this part of the application that Applicants will be asked to translate the energy savings noted above into current dollars. If using the lighting example above, a business owner believes that the energy savings will translate into a current savings of \$75,000 per year in electricity savings, what does this mean for the business?

The Applicant will be required to provide information about the average wages and benefits paid within the facility, divided among various job classifications. Using the \$75,000 per year cost savings noted above, what does this translate into in terms of the number of jobs that will likely be created or retained?

One of the goals of this program is that through the energy efficiency improvements that are made, and the resulting cost savings, businesses receiving funds will be able to retain employees that they might have otherwise needed to lay-off; or, hire employees that they may have not have otherwise been hired. Applicants should provide justification within their Application regarding how their proposed project, and the resulting energy savings, will allow them to retain and create jobs within their firm.

The City recognizes that there are numerous factors associated with retaining and creating jobs. Applicants are asked to provide reasonable estimates based upon what is known at the time of application. Applicants will need to demonstrate that jobs will be retained or created.

In addition to the jobs created and retained within the business receiving funding, the City is interested in the jobs associated with the installation/construction associated with the project. Applicants should provide information about the number of hours of labor required to implement the project. Applicants are advised to ask contractors for this information when requesting quotes as noted above.

APPLICATION SCHEDULE

The current anticipated application acceptance and award cycle is as follows:

- | | | |
|---------------------------|---|--|
| November 18 th | - | Program officially "released" |
| December 9 th | - | Energy Audit Program Applications due |
| December 22 nd | - | Deadline for Review Committee to award Energy Audit Program grants |
| February 19 th | - | Deadline for Green Business Program Applications |
| March 12 th | - | Deadline for Review Committee to make recommendation for Green Business Program awards |
| March 16 th | - | Introduction of Green Business Program award resolutions to Common Council |
| April 1 st | - | CDBG Committee approval |
| April mtg. | - | Board of Estimates approval |

- April 13th - Common Council approval
- Late April/early May - Green Business Program agreements executed
- Late April/early May - Projects started

Please note that this application schedule is subject to change.

REVIEW COMMITTEE

As noted above, a Review Committee will be used to evaluate applications and make a determination regarding which Applicants should receive funding. The Review Committee will include the following five (5) individuals:

- City of Madison Community Development Division Energy Grant Administrator (Chair)
- A representative of Focus on Energy
- A representative of Madison Gas & Electric
- A representative of the Wisconsin Office of Energy Independence
- A member of the Greater Madison Chamber of Commerce

REVIEW CRITERIA FOR THE ENERGY AUDIT PROGRAM

The following criteria will be used by the Review Committee for the Energy Audit Program:

- General completeness of Applicant.
- Has the Applicant submitted a cost estimate by a Contractor to complete an Energy Audit, and does this cost estimate seem reasonable?
- Is this contractor approved by Focus on Energy, or possesses other reasonable credentials?
- Can this contractor complete the work in a timely manner, such that the Applicant could apply for funding through the Green Business Program?
- Does the Applicant have the ability to contribute the required match?
- Does the Applicant have financial need for the funds to complete the energy audit (Note: Financial need will not be criteria for the Green Business Program, but it will be considered for the Energy Audit Program. Energy audits would be relatively inexpensive for “large businesses” to undertake. Especially if the request for Energy Audit Program funds exceeds the funds available, ability to pay will be considered).
- Justification to receive Energy Audit Program funds presented by the Applicant.

The City has set aside only \$45,000 to award for Energy Audit Grants. This is a competitive funding. The awarding of funds will be in many ways a subjective judgment of the Review Committee. Applicants will be required to acknowledge the competitive nature of this process and the subjectivity of the Review Committee within their application.

REVIEW CRITERIA FOR THE GREEN BUSINESS PROGRAM

The following criteria will be used by the Review Committee for the Green Business Program:

- General completeness of application.
- Does the Review Committee have a full understanding of the project based on the information provided by the Applicant?
- Is there justification for the project based upon an Energy Audit, or other information provided by the Applicant?
- The anticipated jobs that will be retained/created within the Applicant's business.
- Does the Applicant have, or is it likely that the Applicant will have, the financial capacity to complete the project?
- Is it likely that the Applicant will be able to complete the project within a year of the awarding of funds?
- The anticipated energy savings associated with the project.
- The hours of labor associated with implementing the projects (ie. installation/construction hours).
- Additional justification to receive Green Business Program funds presented by the Applicant.

This is a competition for funding. The awarding of funds will be in many ways a subjective judgment of the Review Committee. Applicants will be required to acknowledge the competitive nature of this process and the subjectivity of the Review Committee within their application.

The Review Committee will recommend awarding of funds based on the degree to which the Applicant satisfies the criteria noted above. The Review Committee reserves the right to reject an application, even if funding is available. If the Review Committee believes that there are more eligible Applicants than funding available, they will provide a recommendation for awarding to the Applicants to whom they wish to award; and, will provide in priority order, a "B-List" of Applicants who should receive funds should additional funding become available.

MULTIPLE FINANCING SOURCES

The City of Madison encourages the leveraging of Green Business Program funds with other internal and external funding sources. Internal funding sources may include the Façade Improvement Program, Tax Increment Financing, or the Capital Revolving Fund. External sources might be Focus on Energy, or other Federal Stimulus programs.

The City recognizes that the timing of the application cycles for these other programs may not correspond with the timing of this application cycle. Where it is apparent that the Applicant may be eligible for additional funding elsewhere, the Review Committee may award funds with an understanding that these funds may be reduced by the other source should the Applicant receive funding through the other source within a mutually agreed period of time. The City recognizes that each of these cases may be unique and the specific terms will be outlined in the Award Agreement executed with the City.

In the case of internal City funds, the City of Madison reserves the right to replace Green Business Program funds with other comparable sources of City funding. For example, if a project is eligible for Tax Increment Financing under the City's TIF Policy, it may be advantageous to utilize these funds in lieu of Green Business Program funds.

In the event that “extra” funds are available as a result of Applicants securing these additional funds elsewhere, the “extra” funds will be awarded to “B-List” Applicants in the priority order provided by the Review Committee.

CITY APPROVALS

The Review Committee will award funds based on an assumption that the project receives all necessary approvals from the City of Madison. If the project ultimately does not receive necessary City approvals, the funding which would have been otherwise awarded to the Applicant will be awarded to a “B-List” Applicant in the priority order provided by the Review Committee.

AWARD AGREEMENT

All successful Applicants will be required to execute an Award Agreement with the City of Madison. The Award Agreement will insure that the work promised will be completed within a timely manner, and that the City Funding Requirements noted below are met.

Energy Audit Program grants will be loaned to the Applicant upon award with the understanding that the loan will be forgiven upon satisfaction of the Award Agreement. There will be no interest or payments due unless repayment is compelled by the City. Among other things, the Award Agreement will require that contractors submit wage documentation, invoices, and provide lien waivers upon receipt of payment. The Applicant will also be required to submit a copy of the completed Energy Audit to the City, with the understanding that the City must approve said audit as satisfactory. Should these requirements not be met, repayment of funds to the City will be required.

Green Business Program funds will also be loaned to the Applicant upon award with the understanding that the “grant” portion of the award will be forgiven upon satisfaction of the Award Agreement. There will be no interest or payments due for the “grant” portion of the award, unless repayment is compelled by the City. Repayment for the “loan” portion of the award will be outlined within the Award Agreement.

Among other things, the Award Agreement will require that contractors and suppliers submit wage documentation, invoices, and provide lien waivers upon receipt of payment. Should these and other requirements of the Award Agreement not be met, repayment of funds to the City will be required.

CITY FUNDING REQUIREMENTS

The City of Madison has the following requirements for the award of any funds:

Affirmative Action

Any contractor, who employs more than 15 employees and whose aggregate annual business with the City for the calendar year in which the contract takes effect is more than twenty-five thousand dollars (\$25,000), will be required to file, within thirty (30) days of award of contract, an affirmative action plan that is designed to insure that the contractor provides equal employment opportunity to all and takes affirmative action in its utilization of applicants and employees who are women, minority or persons with disabilities. [Madison Ordinance, Section 3.58(9)]. The Model Affirmative Action Plan for Suppliers, Request for Exemption form, and instructions are available at

<http://www.cityofmadison.com/affact/FormsPubs.html> or by contacting the City of Madison Affirmative Action Department, Attn: Contract Compliance Monitor at (608) 267-8786.

Further, the contractor shall allow maximum feasible opportunity to small business enterprises to compete for any subcontracts entered into pursuant to the contract.

Prevailing Wage

When skilled labor is required for any service project, the Contractor warrants that the current minimum rate of wage scale established by the Common Council, under Section 23.01 of the Madison Ordinances, be paid to all trades and occupations. The wage scale is on file with the City of Madison Clerk. Additional information is available at <http://www.cityofmadison.com/purch.html>

Please note that given that these are Federal Funds, Davis-Bacon wage requirements will apply. In some cases, Davis-Bacon wages may exceed the City's wage scale noted above. The Grant Administrator will be able to work with Applicants on determining required wages.

Insurance & Indemnification

Applicants may be required to maintain a general liability insurance policy for the duration of the project per the approval of the City of Madison Risk Manager. In addition, Applicants will be required to indemnify the City.

Environmental and Historic Reviews

The City is prohibited from committing U.S. Dept of Energy funds to specific awards until an environmental review has been completed that certifies that the project complies with the National Environmental Policy Act of 1969. The City's environmental review shall include, but not be limited to, ascertaining the project's effect on historic properties; floodplain management; wetlands protection; explosive hazards; and air and water quality.

In the event the environmental review process identifies any issues requiring mitigation, Applicants shall comply with any mitigation strategies or requirements prior to start of any project.