



Legislation Text

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Fiscal Note

The Common Council previously approved a Resolution (Enactment # RES-10-00460, Legistar #18366) which recognized the \$7.2 million in additional DOE grant revenues and commensurate expenditures and amended the 2010 CDD Adopted Operating Budget accordingly. Adoption of this “comfort” resolution has no additional direct budgetary impact, other than the commitment of CDD staff resources to negotiate agreements necessary to implement the program(s) described herein.

Title

SECOND SUBSTITUTE - Providing additional detail in describing the EECSBG-funded programs to be administered by City CD Division staff, and authorizing the Mayor and City Clerk to execute the requisite agreements necessary to implement the goals and objectives of these programs.

Body

BACKGROUND

As part of the Federal American Recovery and Reinvestment Act (ARRA) of 2009, the U.S. Department of Energy (DOE) has made competitive grant awards of Energy Efficiency and Conservation Block Grant (EECSBG) funds available to qualifying cities through the “BetterBuildings” (formerly “Retrofit Ramp-Up”) Energy Efficiency and Conservation Block Grant (EECSBG) program initially known as the “Better Building Grant” formerly known as the “Retrofit Ramp Up Grant” stimulus grant program. In April 2010, the City of Madison staff submitted a joint grant application to DOE, along with its partners Wisconsin Energy Conservation Corporation (WECC) and the cities of Milwaukee and Racine, on April 2010 requesting jointly submitted a “BetterBuildings” grant application for \$60,000,000 of EECSBG funds to design and implement an energy market transformation program. This Wisconsin Partnership (WECC and the Cities of Madison, Milwaukee and Racine), was one of only twenty-five “BetterBuildings” grant award recipients nationwide, and was awarded a \$20,000,000 grant; of this figure, Madison received \$7,200,000 for its program design and implementation. DOE’s competitive grants were awarded to twenty-five applicants nation-wide. Wisconsin Energy Conservation Corporation (WECC) will be the prime administrator of the award and will work in concert with Madison to assist with program design, marketing, loan loss fund management, federal reporting and program fund distribution of the DOE “Better Buildings Grant” “BetterBuildings” grant. The City proposes to utilize the DOE grant funds to support energy efficiency and conservation activities implemented through the Community Development Division.

The submitted Statement of Project Objectives to DOE included a Residential Plan and a Non-Residential Plan (Commercial, Industrial and Institutional). The objectives are to create jobs, reduce energy cost and usage, reduce green house greenhouse gases and establish a long term market transformation program to improve energy efficiency nationally.

The expectation for this program is to achieve ambitious federal and state market transformation goals as a pilot community. The State of Wisconsin also assisted in obtaining this grant. The \$20 million grant needs to be leveraged 5 to 1 and leveraging dollars were identified in our grant submittal. The energy reduction benefits that can be achieved from this program are substantial. There are environmental, economic, social and energy policy benefits to be gained from the successful implementation of this initiative. Actual results will depend on the follow through of energy audit recommendations made to businesses and home owners.

This Better Building “BetterBuildings” program will utilize the hiring of Energy Advisors and Energy Auditors to

help property owners and businesses with developing and implementing their retrofit energy savings projects. This program will also provide funding to stimulate the availability of loan portfolio funding to stimulate program participation. Focus on Energy rebates will also be utilized as incentives for participation. Contractors that are registered with Focus on Energy will add to the credibility of quality workers to complete the retrofit projects

~~The “Better Building” “BetterBuildings” program’s preferred financing design proposes the use of a loan program using the Federally recognized Property Assessed Clean Energy Programs (PACE) Model or a similar model utilizing private/public loan capital from banks and/or city bonding for both the Residential and Non-Residential energy retrofits. A portion of the \$7.2 million funds will be used to create a Loan Loss Funds to help leverage loan portfolios from lending sources to reduce potential lending losses.~~

~~The PACE program utilizes the following program benefits:~~

- ~~- Creates financing district and approval process~~
- ~~- Provides upfront capital for energy projects~~
- ~~- Attaches repayment obligation to the property (building retrofit)~~
- ~~- Repays retrofit financing as a line item on the property tax bill~~
- ~~- Repayment obligation transfers with ownership~~
- ~~- Allows for a longer repayment period~~
- ~~- May provide lower interest rates available through municipal bonding and other financing resources~~
- ~~- Identifies scope of work and chooses reputable contractor~~

The “BetterBuildings” program financial model for repayment of loans is under development. The loan options regarding funding sources, repayment schedules, interest rates, administrative fees, management and use of the Loan Loss Fund will be reviewed for potential loan design in this program. The review of financial options for both Residential and Commercial upgrades will include the use of a DOE financial model consultant to help identify options for consideration. This “BetterBuildings” program is targeted to start by November 1, 2010 March 1, 2011. A portion of the \$7.2 million funds will be used to create a Loan Loss Fund to help leverage loan portfolios from lending sources to reduce potential lending losses.

The original financial model was the Property Assessed Clean Energy Programs (PACE) model that is preferred by DOE. This model was challenged by Fannie May /Freddie Mac with respect to a special tax roll assessment program feature that would subordinate the mortgage loan position to the special assessment. Currently DOE and FM/FM are discussing possible changes to the original PACE model.

The Residential program objective includes retrofitting 3,000 homes over a three year period. The number of retrofit projects will create a significant number of jobs to assist rebuilding our local economy. The Residential program will utilize the social networking opportunities that a geographically targeted community effort affords. This outreach plan for residential projects will utilize a grass roots (door to door) neighborhood participation approach. Neighborhood Associations will be selected to actively participate in the goal setting and contact strategy in their neighborhood.

This program will be data driven and utilize the Neighborhood Indicators data base using MGE and Alliant Energy billing information. We intend to incorporate the various Neighborhood Associations resources and suggested ideas to: help define and deliver our outreach strategies, educate home owners on energy savings ideas, build interest in retrofit applications to reduce energy use and cost, reduce green house gases and utilize reputable qualified contractors to perform retrofit work. This Madison ~~Better Building~~ “BetterBuildings” program will serve as a model for other communities to replicate.

The Non-Residential (commercial) program will utilize the Focus on Energy qualified contractors, technical and professional energy vendors to assess and implement the energy efficiency projects. Many of these commercial projects after completion of energy audits will focus on lighting upgrades, production process

efficiencies, insulation, HVAC, boiler and air handling upgrade projects, motor controls and may include the use of Focus on Energy rebates.

The Non-Residential Program (Commercial) is designed to complement the Residential program utilizing commercial size energy retrofit projects. The number of commercial projects will be determined by the amount of leveraged funding available using the PACE Model Loan Loss Funding portfolio. The grant award will allow for maximum diversity of participation with local businesses and organizations.

The Partnership (Madison, WECC, Milwaukee and Racine) submitted ~~our its~~ Statement of Project Objectives document which promoted the use of the PACE Model. ~~Current concerns for the PACE program is with surfaced through recent meetings between Fannie Mae/Freddie Mac and FHA who is challenging DOE's mortgage subordinate guidelines for loan structure. CThe current PACE Model subordinates the mortgage to special assessments for energy retrofits on owner's property tax bill.~~

DOE funded project contract requirements include the use of a Community Workforce Agreement (CWA). This CWA is a requirement to insure that the benefits associated with the stimulus dollars assist the local economy to improve. Support from local businesses and union leadership was received to enhance the award opportunity for this grant submittal. Also required are the Federal Buy American Policy, Davis-Bacon Act and Federal Bid Award Standards for sub-contracts awarded. Madison will also require its Affirmative Action Plan and Waste Stream Management Plan Ordinances.

Madison will negotiate with WECC (as the lead administrator of the ~~Better Buildings~~ "BetterBuildings" grant) the program responsibilities that WECC will be responsible for, ~~(ie; such as~~ marketing plans, federal reporting, loan loss fund structuring assistance and administration, Focus on Energy coordination, hiring and supervision of Energy Advocates, primary interface with DOE, program grant budget participation, status reporting, WECC program administration fees and other programs and support services as needed.

WHEREAS, the City of Madison Community Development Division, is authorized by the Mayor and the City Clerk to prepare a Memorandum of Understanding (MOU) agreement that will define the program responsibilities associated with the design and implementation of the DOE ~~Better Building~~ "BetterBuildings" program's energy efficiency and conservation activities within the City; and,

WHEREAS, the U.S. Department of Energy (via WECC) has awarded an EECBG ~~Better Building~~ "BetterBuildings" stimulus grant in the amount of \$7,200,000 to the City of Madison for energy efficiency and conservation activities; and,

WHEREAS, the City of Madison will provide \$7,200,000 in program and administrative support funds to Madison home owners and businesses, for the ~~Better Building~~ "BetterBuildings" program implementation and administrative overhead cost to providing energy program services to reduce energy cost and use; job creation and reduction of green house gases; and,

WHEREAS, the City of Madison Community Development Division will prepare program designs for both residential and business retrofit projects and financing options throughout the Madison community; and,

NOW, THEREFORE, BE IT RESOLVED that the Common Council authorizes the Mayor and the City Clerk to enter into a MOU agreement with WECC to use the \$7,200,000 of DOE EECBG ~~Better Building~~ "BetterBuildings" funds consistent with the intent of this Resolution, all in a form as approved by the City Attorney; and,

BE IT ~~WHEREAS~~ FURTHER RESOLVED, that the City of Madison Community Development Division will

prepare a Memorandum of Understanding (MOU) approved by the City Attorney for the purpose of contracting with WECC to provide program loan loss management, operation personnel and administration and associated overhead cost to include federal reporting, marketing, financial program design and funding capital assistance; ~~approved by the City Attorney~~; and,

BE IT FURTHER RESOLVED, that the Mayor and City Clerk are authorized to execute necessary agreements with businesses and agencies in order to implement the programs as described in this Resolution; and,

BE IT FURTHER RESOLVED, that the Mayor is authorized to accept and approve recommendations from the City of Madison Community Development Division for energy audit and grant awards associated with this ~~Better Building~~ "BetterBuildings" grant, and that the Mayor and the City Clerk are authorized to enter into agreements for the disbursement of these funds; and,

BE IT FURTHER FINALLY RESOLVED, that the staff of the Community Development Division is authorized to make minor grant changes (less than 10% of award) in text and graphic modifications to the DOE ~~Retrofit Ramp Up~~ "BetterBuildings" stimulus grant guidelines and application to reflect staff's future experience managing the program.

~~BE IT FINALLY RESOLVED that the 2010 CDBG Adopted operating budget be amended to recognize \$3 million in grant revenues and offsetting expenditures, as follows:~~

~~\$3,000,000 SC01-73110-260000 (Federal Grant Revenues)~~

~~\$3,000,000 SC01-57700-260000 (Loans)~~