

## Chicago Region Retrofit Ramp-Up (CR3) Program Summary

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### Background

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In April 2010, the U.S. Department of Energy announced 25 awards nationally through the competitive Energy Efficiency and Conservation Block Grant (EECBG) Retrofit Ramp-Up stimulus initiative. A regional collaboration led by the Chicago Metropolitan Agency for Planning (CMAP) -- in partnership with the City of Chicago and the City of Rockford, with support from suburban and regional stakeholders -- was awarded \$25 million to transform the market for carrying out energy-efficient retrofits to commercial and residential buildings in northeastern Illinois.

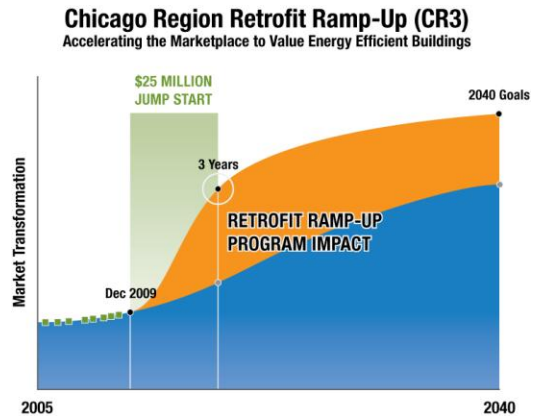
Energy consumed by buildings accounts for 61% of greenhouse gas emissions in the region, and 70% in Chicago, which is twice the energy consumed by comparable buildings in the Midwest. The 2008 Chicago Climate Action Plan calls for retrofitting 400,000 residential housing units to reduce greenhouse gas emissions by 25 percent by 2020 though current capacity can retrofit only 8,900 units a year. Many suburban communities have similar goals, and face similar resource challenges. There are proven retrofit strategies that can change this, but it requires a large-scale, coordinated approach. A major barrier to achieving significant, widespread reduction in energy use is the current delivery and information system for energy efficiency services; fragmentation and lack of a cohesive strategy prohibits economies of scale and reduces incentives for individual participation, posing a serious barrier to reducing greenhouse gasses.

### Overview

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The objective of the Chicago Region Retrofit Ramp-up (CR3) program is to build a comprehensive energy retrofit program which includes strategies to build a sustainable business model to aggressively retrofit commercial, industrial, and residential buildings across northeastern Illinois. CR3 accelerates the existing Chicago Climate Action Plan implementation strategy and the Chicago Energy Efficiency Building Retrofit Strategy, across the metropolitan Chicago region including Rockford, leveraging significant existing resources and program components from partners, financial institutions and utility companies. The implementation of the CR3 is further integrated into the region's comprehensive plan, *GO TO 2040*. Over the three-year grant period, the project is expected to retrofit as many as 8,000 units, leverage more than \$500 million in local investments, and create more than 2,000 jobs.

The intent of the CR3 is to bring together fragmented resources and initiatives under one umbrella to create a seamless metropolitan-wide retrofit program. The U.S. Department of Energy grant will provide funds for program development and the initial investment for financing mechanisms as the necessary foundation for a comprehensive energy efficiency program that creates efficiencies and economies of scale for building retrofits in the city of Chicago and across the metropolitan region. This money will be used to leverage additional existing energy efficiency dollars from other sources such as, federal and state energy programs, utilities programs, and philanthropic dollars.



This is an unprecedented opportunity to effectively use federal grant resources to “Ramp-Up” a comprehensive program based on already proven strategies, across multiple building sectors, and geographies. This grant provides the opportunity to build off of extensive analysis, planning activities that have been conducted over the last two years by CMAP<sup>1</sup>, and in the City of Chicago through the Energy Efficiency Practitioners Network<sup>2</sup>, the Chicago Climate Action Plan<sup>3</sup> and the business community<sup>4</sup> to scale-up existing high performing energy retrofit models in the residential and commercial markets and expand initiatives in under-served markets.

## Project Scope

Due to its regional mission, CMAP is the administering agency, acting in close partnership with the City of Chicago Department of Environment. In addition, strategic guidance will be provided by the Retrofit Steering Committee, comprised of the City of Chicago, City of Rockford, CMAP, and key utility and service providers in the region. The CR3 team will also select a lead implementation agency through a competitive procurement process to coordinate, integrate and implement all key elements of the CR3 program. This collaboration covers 4,000 square miles and represents over 8 million residents in northeastern Illinois.

The CR3 will invest a \$25 million award from the U.S. Department of Energy (DOE) that can be leveraged by regional resources to organize and align the market by overcoming barriers

<sup>1</sup> CMAP Regional Energy Snapshot, GO TO 2040

<sup>2</sup> Building Energy Retrofit Implementation Plan, CNT and the Delta Institute, Sept 2008

<sup>3</sup> Chicago Climate Action Plan

<sup>4</sup> Market Transformation Paper, RW Ventures and O-H Community Partners  
Chicago Retrofit Strategy, Booz Allen Consultants (fka Katzenbach Partners)

already clearly identified in the Chicago Energy Efficiency Building Retrofit Strategy. The overall CR3 vision is to facilitate the transition from an emerging market made up of a loose set of programs to a fully developed, efficient market that can operate with the efficiencies of scale and scope. When this happens, every homeowner and business owner in the region will have the information they need to make rational decisions about whether, how, and how much they desire to improve the energy efficiency in their homes and businesses. Financial products will be readily available to facilitate the installation of selected measures. Suppliers of energy efficient products and the energy efficiency retrofit workforce will be able to respond to consumer demand for energy efficiency retrofits with consistent, efficient, and affordable solutions.

*CR3 does not provide direct grants to local governments or building owners for retrofit activity. The purpose of CR3 is to develop the market infrastructure that will support a sustainable energy efficiency market for years to come through developing information systems, financial products and through coordinating workforce development.*

## Project Goals and Objectives

The CR3 approach is centered on addressing the three key barriers to market transformation: access to information, access to finance, and access to skilled workforce. These grant funds will provide the necessary funding to develop market infrastructure that will support a sustainable energy efficiency market for years to come by addressing the challenges holistically and dynamically.

### **Increasing Access to Information**

**CR3 Investment: \$6,550,000**

CR3 will create an effective holistic information system that serves as a regional center of energy tools, qualified contractors, and programs to lower transaction costs by generating demand, linking consumers and suppliers. The CR3 team will develop an RFP for the Regional Information Systems' objectives and select partners through a competitive procurement process including but not limited to market analysts, web developers, and community-based organizations. Objectives include:

- Developing a comprehensive information system that will both educate consumers and facilitate transactions by creating a forum to connect consumers with suppliers.
- Launching a broad-based marketing campaign to educate consumers on the impact that buildings have, and the energy efficiency opportunities that are available to them.
- Leveraging the Energy Action Network model being piloted in Chicago to increase penetration in selected target areas.

## Regional Information Systems Core Components

- **Develop communication strategies:** Identified partners will develop the communications strategy that determines the most effective strategies to communicate the benefits of retrofits and resources available for retrofits to all market segments—by building and population, and by utilizing a whole neighborhood approach. This strategy will act as the roadmap for outreach activities and ensure the optimal utilization of the most appropriate communication channels.
- **Develop Regional Information Center:** CMAP, the Chicago Department of Environment, and the Retrofit Steering Committee will work with the identified partners to support and guide the development of the Regional Information Center. Partners will develop a regional information center that creates an efficient mechanism for disseminating high quality information and connecting building owners to qualified contractors and financial products, and facilitating market transactions using multiple communication channels to reach all segments. The regional information center will include an open-source back-end database and a front-end communication portal.
- **Implement outreach strategies:** Additional partners will conduct direct outreach via trusted messengers (e.g., community-based outreach, Chambers of Commerce, other trade associations) to engage building owners in retrofit activities in six targeted communities, strategically selected to return a diverse set of data for future application. Existing whole neighborhood outreach models, such as the Energy Action Network, will be enhanced and expanded.
- **Develop energy audit tools:** Partners will develop and integrate multiple web-based energy measurement and performance tools, traditional energy audits and diagnostics, and established and emerging software applications to provide vital information to building owners. This information will generate demand for retrofits, assist in making investment decisions during the decision-making process, and result in energy performance being broadly considered in real estate transactions. These tools will be incorporated into the Regional Information System.
- **Implement marketing and branding strategies:** Partners will introduce a marketing and branding strategy for retrofits broadly to increase consumer awareness and confidence, while at the same time increasing the number of participating suppliers. Specifically, the plan will use a holistic marketing outreach approach that leverages a combination of communication channels to maximize message penetration. Specific components of this strategy might include: collaboration with retail partners, provide information through seminars, develop brand materials, utilizing local media and news sources, and utilizing partnerships with utilities to create bill inserts.

## Increasing Access to Capital

CR3 Investment: \$15,750,000

CR3 will support the development and accessibility of innovative financial products so that building owners in multiple sectors can implement retrofits. Financing tools will be in the form of loans and loan loss reserves to support the inclusion of the greatest number of sectors, income levels, and building types, leading to greater long-term program sustainability.

Objectives include:

- Providing more funding to early-stage pilot programs that have shown strong results
- Investing in infrastructure to support innovative new delivery options
- Increasing capital in specific sectors to help prove energy efficiency investment models

### Financial Tools Core Components

CR3 utilizes a portfolio-approach and invests in four financial tools for residential retrofits, development of a commercial and industrial retrofit tool with a significant amount of funds, and expansion of an innovative delivery method for home owners. The tools in this portfolio will expand existing models, pilot innovative programs, and compliment the current set of financial incentives and tools offered by utilities, the State of Illinois, and other financial entities. The CR3 team will develop an RFP for each of the financing programs. CMAP will administer the financial product programs directly in consultation with the Retrofit Steering Committee.

- **Green Loan Program** (single family, moderate/high income). This product is an unsecured, small capital loan that can be applied for by the customer through the contractor during the retrofit process without significant paperwork. This approach has been widely accepted by participating contractors in initial pilot studies in other regions.
- **Energy Efficiency Rating Incentive Financing** (residential, all income levels). This program leverages the Illinois Association of Energy Raters and contractors trained in Home Performance with Energy Star or other similar programs to audit units and install improvements. Incentives will be provided to unit owners based on the energy efficiency increase achieved. The EECBG funds will be used as a grant to reimburse a portion of home retrofit costs.
- **Multi-Family Loan Pool** (Multi-unit, low income). CR3 will establish a “Green Loan Pool” for the purpose of providing financial assistance to low-income building owners undertaking a rehab. These funds will be leveraged with other existing rehab programs and used to increase the amount of energy efficiency measures implemented in these rehabs. Because

this program will be delivered in tandem with an existing rehab program, retrofit costs will be reduced by about half and provide greater information on this delivery model.

- **Multifamily Loan Fund** (Multi-unit, all income levels). This is a loan program for multi-family rental building owners to obtain funding to retrofit their units. The EECBG funds might be used to capitalize a revolving loan fund or as a loan loss reserve.
- **Loan Loss Reserve** (Commercial, Industrial). The commercial and industrial loan loss reserve program is meant to immediately increase the amount of private lending for energy efficiency retrofits to the commercial building sector by providing a loan loss reserve that stands behind the loans in the portfolio. The goal of this investment is to provide a \$10 million loan loss to create a \$100 million program. Lenders typically will not accept projected energy savings (even if guaranteed by an energy service company) as sufficient collateral in the Midwest. Furthermore, because most commercial assets are held by unrated limited liability companies, and because energy efficient equipment is often already pledged under a first mortgage, it has been particularly difficult for energy efficiency lenders to underwrite and secure collateral for building retrofit projects in the commercial and industrial sectors.
- **Employer Assisted Retrofit Financing** (Residential, all income levels). Employer assisted housing is a tool to allow employers to assist employees in buying or renting homes close to their workplace. A key goal is to strengthen financial stability for workers, including foreclosure prevention when provided in tandem with counseling. An energy retrofit fund will build off of these existing programs, and will provide forgivable loans to pay for energy efficiency retrofits. The EECBG funds could be used as a grant and/or to capitalize a revolving loan fund.
- **Property Assessed Clean Energy (PACE) Bond Funding** (Commercial, Industrial). CR3 does not allocate any dollars towards PACE, but will be involved in this innovative method when it becomes authorized through State legislation. Legislation to authorize PACE (S.B. 2505) did not pass in the Illinois General Assembly 2010 spring session. CR3 will continue to be involved in discussions on PACE, and once legislation authorizes its use, it will be integrated into the CR3 strategy.



## Increase Access to a Trained Workforce

CR3 Investment: \$200,000

CR3 will seed an intermediary to connect a qualified, skilled workforce with retrofit jobs. The CR3 team will develop an RFP for a workforce intermediary and select partners through a competitive process. Objectives include:

- Creating a workforce intermediary that will connect trained workers with contractors and workers with training
- Integrating current and upcoming workforce initiatives into the CR3 program

### Workforce Core Components

- **Launch workforce intermediary:** CR3 will support intermediary to effectively create a comprehensive, sector-based workforce intermediary (Energy Works) to act as “central broker” to match trained job-seekers to businesses seeking certified workers and to ensure quality training programs.
- **Workforce Integration:** CR3 will assure integration of current and upcoming workforce initiatives into the CR3 program, including the State Energy Sector Partnership grant and the Pathways Out of Poverty grant. Several existing entities are implementing these and other retrofit training initiatives, including the State of Illinois Department of Commerce and Economic Opportunity, the Chicago Workforce Investment Council, and the Workforce Boards of Metropolitan Chicago.