BEFORE THE

ILLINOIS COMMERCE COMMISSION

ENERGY EFFICIENCY IN AFFORDABLE HOUSING

Wednesday, March 2, 2016

Chicago, Illinois

Met, pursuant to notice, at 9 a.m., at 160 North La Salle Street, Chicago, Illinois.

PRESENT:

BRIEN J. SHEAHAN, Chairman

ANN MCCABE, Commissioner

SHERINA E. MAYE EDWARDS, Commissioner

MIGUEL DEL VALLE, Commissioner

JOHN R. ROSALES, Commissioner

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CHAIRMAN BRIEN SHEAHAN, Chairman & CEO
Illinois Commerce Commission

MS. ANNE EVENS, CEO - Elevate Energy

PANEL 2

MS. ANNE EVENS, CEO - Elevate Energy

MS. ELIZABETH McERLEAN, Legal & Policy Advisor
to Chairman Sheahan - ICC

MR. GEORGE MALEK, Director of Energy Efficiency
Services - ComEd

MR. JIM JEROZAL, Managing Director of
Energy Efficiency - Nicor Gas

MR. PATRICK MICHALKIEWICZ, Manager of Energy
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Peoples Gas/North Shore Gas

MR. KEITH MARTIN, Director of Energy Efficiency -
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MS. MOLLY LUNN, Deputy Director for Energy &
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MS. KAREN LUSSON, Assistant Bureau Chief,
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MR. DAN YORK, Utilities, State, and Local
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MS. SANDY FAZELI, Senior Program Director -
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MS. ANASTASIA PALIVOS, Legal & Policy Advisor to Chairman Sheahan - ICC

MS. AUDRA HAMERNIK, Executive Director - Illinois Housing Development Authority

MR. JOHN BRAUC, President - Checkmate Realty

MR. MICHAEL BURTON, Assistant Management Director - Bikerdike

MR. ANDREW GEER, VP & Market Leader - Chicago Enterprise Community Partners

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MS. SUZANNE STELMASEK, Senior Policy Analyst - Elevate Energy

MS. STACIE YOUNG, Director - Preservation Compact Community Investment Corporation

MR. THURMAN SMITH, Director of The Preservation Compact - Community Investment Corporation

MR. ART RENDAK, President - Inland Mortgage Capital

MR. CHRIS MEISTER, Executive Director - Illinois Finance Authority

CHAIRMAN SHEAHAN: Good morning. Welcome to the Illinois Commerce Commission's policy session regarding energy efficiency and affordable housing. This session is convened pursuant to the Illinois Open Meetings Act, and our guests and panelists should be aware that a court reporter is present. A transcript of this session will be posted to the Commission's website shortly following the session.

With us are Commissioners McCabe, del Valle and Edwards. Commissioner Rosales will be with us shortly. We do have a quorum.

I would like to thank today's panelists for the effort they put into their presentations and for all of you for taking the time to attend.

The purpose of today's session is to invite leaders in the affordable housing field and related industries to share regional best practices in green rental housing preservation and energy efficiency in order to explore ways to develop and implement strategies through innovative partnerships, policy development and legislative reform.

As a former deputy executor director of the Illinois Housing Development, I have a special interest in the topic. Preserving affordable housing is inherently resource efficient, and, as the popular saying goes, the greenist building is the one that already exists.

By retrofitting existing affordable housing to increase energy efficiency, green jobs are created, low-income residents pay less in utilities, operating costs are reduced and healthier homes are created.

In 2007, an Illinois bill created the Energy Efficiency Portfolio Standard which created a substantial budget for programs and incentives to reduce electrical energy usage and demand for customers of investor-owned electric utilities.

Investor-owned gas utilities were added to the program in 2011, and since the legislation, utilities in Illinois have made significant investments in programs designed to help the lives of utility customers by reducing their energy expenses and creating healthier, more comfortable living environments.

Nationally, utility energy efficiency program budgets have significantly increased since 2006, reaching -- and are expected to reach 12 billion by 2020.

Today a majority of states implement utility-funded energy efficiency programs often paid for through charges included in customer utility rates. These programs are significant and a growing source of resources for residential energy retrofits that remain largely untapped by the multifamily sector.

As such, today's session will feature panelists intended to provide an overview of the affordable multifamily housing stock and the potential for energy efficiency savings, discuss current utility programs and best practices in program design, analyze best practices concerning technical solutions, and explore financing mechanisms for energy efficiency programs in the affordable housing sector.

As stakeholders work together on this important issue, Illinois utility customers stand to benefit from the lower system costs associated with energy efficiency investments.

The value of providing effective programs for low-income residents of multifamily affordable housing is even greater than the general population since these customers spend a high proportion of their income on energy services.

Capturing these benefits requires using innovative strategies penetrating existing marketing barriers, and the Illinois Commerce Commission is well poised to host a strategic conversation on this topic in order to serve as a steward of positive change.

To begin today's discussion, we will be hearing from Ms. Anne Evens, CEO of Elevate Energy, who will give a presentation providing an overview of the affordable multifamily housing stock and discussing the potential for energy efficiency savings.

Please join me in welcoming Ms. Evens.

(Applause.)

(Slide presentation.)

MS. EVENS: Thank you, Chairman. So I would like to start off by giving everyone some background about the low-income families across Illinois and the affordable housing sector, share some definitions so we have some shared language when we are talking about this important sector, talk about some barriers, and then finish with the huge opportunity I think we can all see in this sector.

So at Elevate our mission is smarter energies for all. That means we design and implement energy -- energy programs for folks that need it most, and when we say "smarter energies for all," we really mean that we want the investments that are made in energy efficiency and renewables to reach all sectors, especially low-and-moderate income sectors in Illinois.

Our specific areas of focus are in making sure the benefits of the smart grid reach everyone. We work on hourly pricing programs across the state and then we work every day in buildings improving them, retrofitting them, making them more efficient, and then we work at the community level partnering with all different kinds of communities. It could be communities in Little Village and Bronzeville, SAG, in the City of Chicago, Cook County, and communities across the state to help implement community level policies.

Our particular focus in multifamily came because again it's our mission trying to make sure that underserved communities get the benefits of energy efficiency.

We have retrofit over 24,000 units saving on average 30 percent on energy bills, partnering with lots of you in the room today, including the Community Investment Corporation to provide lending to make these improvements and creating over 550 local construction jobs. Those are folks that are going in and blowing in insulation and sealing HVAC, lighting, and plumbing, so that's a look at Elevate.

To talk about the landscape in

Illinois -- and I apologize if you can't see that very well, so I'll describe to you what's on this screen. Just to start off by defining what we mean by low income, there's varying definitions out there in the housing world. The U. S. Department of Housing and Urban Development typically bases the definitions around affordable housing as related to the particular market that families are living in so we use that concept of the area's median income to define what's low -- low income, low-moderate, and upper high income households.

The reason that they take this approach is, as you might expect, living costs vary across the country, and what it means to be low income in Chicago may be different than what it means to be low income in Carbondale.

So this definition -- to give you an example of what that means in the Chicagoland area, a low-income family, a family of four is a family that's making less than $57,000 a year; whereas, in Rockford the numbers are similar. In Peoria a low-income family is making -- again, this is a family of four -- is making less than $44,000 a year.

Now many of us are also, when we are working on federal programs, accustomed to the concept of the federal poverty level. That's one number that is relevant across the United States, so it doesn't vary across the United States, and it's a lower level.

So, again, in the context of the federal poverty level, when we are talking about 150 percent of poverty, we are talking about a family that makes $35,000 a year or less.

In the Illinois markets, 200 percent of the federal poverty is pretty similar to 80 percent of AMI, but I just wanted to review those definitions because they are used differently in different programs and for different eligibility, and I think it's important as we think about the low-income landscape in Illinois to consider these definitions and look more broadly at what it means to be low income.

As we look at how the numbers vary

across the utility territory, you'll see that for most of the utilities, the low income populations range from 40 -- 40 to 50 percent with, of course, a higher percentage in the Peoples Gas territory in the City of Chicago and a lower percentage in the North Shore area.

These -- just to make sure you understand what you are looking at, this is the percentage of households in each income territory. We tried to use the same color throughout the presentation so you can see it well. The darker blue is low income. The yellow is moderate income -- and that's 80 to 100 percent of the area median income -- and then the light blue is the higher income households greater than 120 percent of the AMI.

When we look at the numbers across -- as a whole across this state, Illinois has 4.7 million households, nearly half, 2.3 million are low-income based on the HUD guidelines, and if we want to look at the variable income, I would call it the 150 percent of FPL, that's still nearly

30 percent of the state. So we are talking about a very substantial part of our population here in Illinois.

To get a sense of how the population is distributed across the state, I'm going to give you some maps by utility service territories starting with ComEd. Again, the darker blue shows the higher density of low-income families, and you can see that as expected, of course, it's a concentration in the city, but it's really low-income families live across ComEd's service territory.

When we look at Ameren, again, we see that over half-a-million low-income families that live in Ameren's electric service territory are really spread out across the state and in many counties.

We look at North Shore Gas, the over 50,000 low-income households are a little more concentrated around Waukegan and Lake County. That again is distributed across the service territory. Peoples Gas -- again, nearly 60 percent of Peoples

Gas customers are low income. That represents 427,000 households in the Peoples Gas territory and really distributed across the city with, of course, some concentrations on the south and west side.

And then, finally, looking at Nicor Gas 782,000 low-income households that live in the Nicor Gas service territory are again concentrated across the service territory.

And, finally, I have a lot of maps up there, but when you look at Ameren's gas service territory, again, you see that distribution relating across the state.

So when we think about low income, I think that many times we think about low income as sort of a special sector, but it's really the population of the State of Illinois. It's an important population and an important sector for us all to focus on, so I'm happy about this policy session today to get some best practices.

Now I want to switch from the households to housing stock to give some context around that. There are 5.3 million housing units in

Illinois. Of those, if you think about this state, 33 percent are in multifamily housing; however, in some communities, like the City of Chicago, more than 75 percent of housing stocks are multifamily.

Now, of course, even when you are talking about multifamily, that means many things. In communities across the state, a lot of multifamily is two flats, three flats, four flats. A big portion is also 5 to 49 units, which is an important market, specifically in the residential market, and then we have some larger buildings, 50 units or more. Many low-income subsidized units across the state are in that category. We see pretty large housing developments that could be 200 units or more.

To talk a little bit more about the affordable housing market and define what we mean by that, typically we say housing is affordable if a family is paying 30 percent or less of their monthly income on rent, rent and utilities, so the idea is that your housing costs are 30 percent or less than your monthly income. Across this state, affordable housing accounts for 40 to 50 percent of the housing stock, so, again, we are talking about a big population when we are talking about a low-income family. We are talking about a big portion of our housing stock when we are talking about affordable housing.

You will hear more from experts later today from the housing industry, but affordable housing market, just like low-income families, is not as unique. It's very diverse. It's made of a number of different kinds of housing.

Two big categories to keep in mind are there's low-income housing that can be subsidized, meaning that there's some kind of government or private subsidy that is helping to support either the building or help pay for the rent of the family that lives in the building.

It also includes public housing, low-income housing tax credits, supportive housing, but what is typically called "Section 8 Housing," and housing -- choice voucher housing. That accounts for a portion of the affordable housing in the state, but the bigger -- the bigger market in affordable housing is actually unsubsidized affordable housing, which is also called "Naturally Occurring Affordable Housing."

We have created a new acronym, and I know everyone is excited about that, called "NOAH," Naturally Occurring Affordable Housing, so that accounts for a lot of the rental market where often owned by private owners could be larger owners, could be ma and pa owners.

In the Chicago and Cook market there's a large number of smaller owners, individuals that own one or two buildings or five -- five or maybe 5,000 units total of buildings, and then there's some larger owners that own big portfolios.

It's important when we think about these housing stocks to think -- and, again, you will hear from experts later today -- but to think about the challenges that each kind of ownership structure faces. A larger owner may be able to have more extensive property management staff. A smaller owner may not have as many resources and staff and, therefore, may encounter more difficulties when trying to reach access to various programs that are out there.

So, again, this industry is way more complex than I have time to review today, and there's lots of experts that could do a much better job than I can, but I think it's important to know the unsubsidized affordable housing market is substantial and much larger than the subsidized, which is important, and an important stock that we want to preserve.

So now I want to talk a little bit about energy costs and the energy burden that low-income families are struggling with today in Illinois. In Illinois we know that nearly a quarter of the families are severely rent-burdened. What that means is that 25 percent of the families are spending about more than half of their monthly incomes on rent and utilities. So when you think about that, you can recognize that there's very little resources available for the other necessities: Food, health care, et cetera.

So when you think about that, 25 percent of families in Illinois are on a regular basis making tradeoffs on are they going to pay the rent? Are they going to buy their medicines? Are they going to be able to put food on the table? Are they going to be able to keep their power and heat on? That's a big problem that the state faces.

We also see that energy costs are substantial for families that live in poverty and range from 15 to 28 percent of monthly income. Low-income families also face other challenges, a high degree of a large number of low-income families are underbanked, which means it can be difficult to do things, like make utility payments, because low-income families can't make electronic payments and so they may face other barriers and other additional costs having to make utility payments at your local currency exchange or storefront payment centers.

CHAIRMAN SHEAHAN: Can I interrupt you for a second.

MS. EVENS: Sure.

CHAIRMAN SHEAHAN: The cycle of utility shutoffs and fees, do you have any idea typically, you know, in a household that we are talking about, how often -- how frequently that cycle occurs? Is it sort of -- does it happen, you know, on an annual basis more, or more often than annually, or every couple of years? What's the frequency of that cycle?

MS. EVENS: So, like everything I'm saying, it kind of depends, and there's a lot of variability among the vast majority of low-income families. The vast majority of low-income families who pay their utilities bill may get behind, and they may be making sacrifices in order to pay their utility bills, but the vast majority of low-income families do keep up on their payments.

However, we know from the size of our LIHEAP and PIPP eligibility, there's a huge population probably, and here -- I would like to come back to you with more concrete numbers, but we are looking at about a million customers in Northern Illinois that are eligible for some of the utility assistance programs and many of them struggle and come back to the same programs.

It's quite a complex landscape, because there's several utility assistance programs and many of them don't allow you to come back, except for the ones every two years and there's been a lot of interruptions in those programs, so I'm not giving you a very good answer. I apologize.

CHAIRMAN SHEAHAN: No. I think that's helpful.

MS. EVENS: It would be good to have another session on that.

CHAIRMAN SHEAHAN: Maybe we can get into it a bit with some of the other panelists, but I think kind of underlying the question is that I think it's important there's a recognition that there's a cost to the cycle that gets socialized --

MS. EVENS: Yes.

CHAIRMAN SHEAHAN: -- that isn't necessarily reflected in other data, and so, to the extent that we can help families that struggle with this have lower bills that are more affordable that they can keep up with regularly, you reduce that socialized cost that all the other customers will pick up.

MS. EVENS: Absolutely. I completely agree.

COMMISSIONER MAYE EDWARDS: I just want to add in addition to the cycle is also a situation where, you know, you may have a very expensive and high gas bill.

For example, I know someone right now whose gas was actually shut off quite awhile ago, because of the inability to pay, and now she is using space heaters to heat her home. Her electricity bill is through the roof, you know, so I think that's something to talk about, that consideration, the fact that, you know, you may have one year trying to pay this one down, but while you are trying to pay that one down, in the meantime if you don't have gas, your electricity is going to be extremely high, maybe you are going to choose maybe my electricity is more important. More than likely, your gas is going to be really high.

These programs don't necessarily account for that situation, you know, when they're looking at it separately as opposed to cumulatively, which I'm now seeing with this particular person that I know. That's really how it should be analyzed.

MS. EVENS: Oh, absolutely. I think we are in real need of a comprehensive solution for low-income families that look at energy efficiencies so that we can substantially reduce consumption, and I will share with you a little bit of data.

There's a huge opportunity to substantially reduce consumption on the gas side and on the electric side, re-think our utility energy assistance programs in such a way that we are helping people before they get into really significant debt and are facing disconnection, because it's difficult for the low-income family.

Yes, I believe there's substantial costs to sort of going through that process all the way from substantial costs on utility customer service centers that are taking a lot of calls from people who are really in -- from people who are in desperate situations trying to work out some kind of payment plan or get some of the assistance, and, yes, the problems are magnified, because you may have problems on the gas side or on the electric side.

And, you know, when we look back and think that, you know, a quarter of our families in this state are spending more than 50 percent of their incomes on rent and utilities, those kinds of struggles that you are describing are happening every day for so many families across the state. We are talking about a million families across the state, and we have 4.7 million families.

So if we can come up with a comprehensive solution that really looks at energy efficiency, demand response, and utility assistance in a way that benefits low-income families and the rest of the state, because we are reducing some of these costs, I think we'll be in a much better position.

I think that there's some -- when we look at how dollars have been spent to-date and we have on the slide as an example of a study many of you may have seen from UC Berkley, looking at the federal tax credit program, 90 percent of the federal tax credit benefits went to upper-income families, now that's just one program. There's lots of programs out there.

I don't mean to make a blanket statement, but I think we have to take a look at how our programs are currently targeted and how can we make sure that the greatest number of families across Illinois are benefiting.

COMMISSIONER ROSALES: This may be answered later on this afternoon, but how does the housing stock play out compared to this?

Specifically, in Chicago, as a student of demographics, I can tell you that when you mentioned Little Village, even Pilsen or Division Street, when they rehab these buildings and make them more energy efficient, they also become condominiums at a much higher level for families to get into, and so they become more energy efficient, but they're now not affordable, and so that housing stock or the opportunities become shortened or become smaller, so the smaller the opportunities in the areas where they have opportunities to buy affordable housing tend to go outside the city or farther from the city -- farther from the city central, and they're overbuilding, so now they need more work in these areas.

How does that play out in terms of stock effect in terms of the amount of units that are rented?

MS. EVENS: So that's a very big issue as housing stock is rehabbed generally, which would include energy efficiency improvements, rents or ownership changes, we lose rental stock and that has certainly been a trend that has been going around along and across the state, but particularly in Cook County, and I'm going to probably ask Stacie from Preservation Contact that's been working on this issue and trying to develop a strategy to preserve affordable rental housing within the context of this greater transformation in the marketplace where you see communities gentrified, and as communities become more desirable, because of location and improved housing stock, what happens to the existing community that's there, and how do you -- how do you -- how do you make sure that you are actually preserving the affordable owned and rental housing across the -- across Chicago and across the state, and that's certainly a big question.

I think you are asking me how does energy efficiency play into it? I think reducing energy costs is a key component to preserving affordable housing. Again, we have experts here who will talk more about this and the specifics, but if you are managing a rental building and if you think about managing rental building in Pilsen or Little Village and your energy costs are going up, if it's master metered and as the building owner, you are paying the gas bill, it becomes increasingly difficult for you to maintain lower rents.

So driving -- energy costs do drive -- do drive rents, and if we can do something to reduce that part of the challenge, because, again, it's a bigger challenge that we face, but if we can control those energy costs, that's one of the number one drivers for preserving affordable rental housing, and, again, I can say we might talk more about Preservation Compact later, but one of the key -- this is a group that came together across industries to try and identify what was the key -- what were the key drivers on preserving affordable housing, and number one and number two were controlling energy costs and controlling property costs.

I think the important thing to remember is that energy costs are not a fixed cost. They're variable. There's something we can do to reduce consumption, and we have -- we have programs available to do that, and now we have to think about how we can best target this sector in order to have those impacts.

I know you can't see this very well, so I'll tell you what's on this screen.

COMMISSIONER del VALLE: A question.

MS. EVENS: Sure.

COMMISSIONER del VALLE: What do you say to the person who tells you I'm looking at my bill and on the energy side is low compared to the distribution costs and other costs, the fixed costs, taxes, et cetera? And so if I'm going to control the energy side, I'm not going to see much of a difference in my bill.

MS. EVENS: I think that's certainly an important question to ask, and I think we need to look at policy from -- and look at distribution versus supply costs and think about what kind of policies we want to look at in the state in order to control that, but there's certainly a lot still to be done.

And if you look at the numbers again in Chicago and in Cook County, our energy consumption is probably twice what it needs to be, so there's a huge amount of improvement that we can make both on the gas side and on the electric side.

Again, it's going to vary, you know, low-income families are not -- are diverse, just like families are diverse, and low-income families, maybe you may have a large multigenerational family living in a big house with big energy consumption or you might have a senior living on their own who would have smaller consumption and much less opportunity.

COMMISSIONER del VALLE: But it's more so on the electric side than the gas side.

MS. EVENS: Yes.

COMMISSIONER del VALLE: On the electric side, I think it's significant.

MS. EVENS: Yes.

To give, you a sense of how energy consumption varies across income groups, to give you a sense of what the potential is for energy efficiency, this chart that you can't see very well compares median electricity consumption and median gas consumption among single-family homeowners that are upper income and low income, and one of the things that we see is that if you look at in an absolute basis, upper income families do consume on average a little bit more, 8700 kwh per year, compared to lower income families, which was 81, 8200 kwh, just a little bit more. But when you think about it from a square footage basis, low- income families are using almost 12 percent more electricity than upper-income families.

On the gas side, we see that

upper-income families are actually using less in absolutes on average, 1300 therms annually, compared to low-income families, which are 1400 therms, and then, again, when you look at it on a per square footage basis low-income families are using 32 percent more.

So getting back to Commissioner Rosales' question about what happens when we are rehabbing homes in upper-income communities and energy efficiency is incorporated into these rehabs and energy efficiency does work and people are accessing energy efficiency, what we see is on the upper-income spectrum energy consumption is actually going down, but on the lower-income spectrum, we're not yet seeing those gains in energy efficiency, and, you know, that's not -- if you think about it, that's not surprising.

Again, where upper-income families are more likely to be living in homes that have recently been rehabbed or built since the energy codes were in place, they're more likely to have upgraded equipment. They're more likely to have upgraded appliances, or refrigerators, et cetera.

COMMISSIONER ROSALES: And the family size is smaller.

MS. EVENS: Could be. I mean, again, I think there's no -- I think we have to be broad in our thinking when we are thinking about families.

You know, I think for many years people just kind of assumed that low-income families would use less energy because their incomes are constrained and so they would just use less, but then when you think about a low-income family that has a high occupancy and people are working multiple shifts and so they're using energy throughout the day as opposed to maybe having a sort of 9-to-5 schedule where you are not home most of the day and using energy, I think upper-income families you will see probably a big spectrum, but they may have some smaller household size as well as you pointed out.

So now we are talking about energy use in multifamily housing. Again, we are seeing the same trend here, because we just have the gas data, but we are seeing the same trend where lower multifamily buildings and lower income census tracts are using 15 percent more gas as compared to upper-income multifamily buildings. Most likely it's the same sort of trends, upper-income buildings more likely to have been recently rehabbed with newer equipment, et cetera.

We like to look at this on the electric side as well as a little more complicated, because, of course, we aggregate multiple accounts in the multi-facet family sector, but this is -- so we see again the same trend we saw in single family you see in multifamily, which I think goes to the opportunity when for energy savings that we can be encountered in this sector.

I'm going to quickly go through barriers -- I think I'm going over my time, and I apologize. These will be -- we have experts today that will be talking about the barriers to energy efficiency and affordable housing. Financing these improvements is very difficult.

Oftentimes, we are dealing with different maintenance issues, insulation, roof leaking, for example. You have got the ever famous or infamous split incentive issue where landlords may be paying for improvements and then the tenants may be seeing more lower bills and how do you sort of manage that, or are you seeing that to be less of an issue. I think through education everyone can see that again in a state where we have so many families that are rent-burdened it's really essential to control those energy costs, even if the tenant is bearing those costs, got complex landscape of affordable housing owners I think they have a variety of abilities and assets, and then I think there's the ongoing information gap where building owners don't know what's out there and they don't know how to access that.

So I'm going to stop here and take any more questions, but I would like to end by saying I hope we all see the huge opportunity for this sector, the importance of preserving our affordable housing stock, the importance of controlling these costs, and just the sheer size of the population, as well as the energy savings opportunities I think creates a huge opportunity, and I'm excited to see us looking at new ways to address this sector.

CHAIRMAN SHEAHAN: Thank you, Anne. Any Questions? Commissioner del Valle.

COMMISSIONER del VALLE: That last point on various strategies of utilities to navigate multiple programs, I think is a major, major issue. You look at the materials that are sent out by the utilities about the products and steps you can take, they're not easy reading.

There's a lots of folks that just don't understand. Of course, when they don't understand fully, then they just set it aside, and so I would like to hear more about how you are going to tackle that, because it's complicated.

MS. EVENS: Yes, I entirely agree. I think that energy is complicated and messy. We are in a deregulated state. It's confusing already, and then energy efficiency is complicated.

I think, you know, if you ask the average person, most people don't have a good understanding of how they use energy in their own homes, and then there's a lot of different messages out there, and I think that what has been -- I'm sure our panelists today will talk to this, but what has been proven to be successful again and again, you need local trusted folks to be carrying that message and there needs to be a resource to help people navigate through the complexity that's out there. That's been a proven successful method.

CHAIRMAN SHEAHAN: Thank you. That's a terrific presentation and sort of sets the table for the three panels that will follow. So please join me in thanking Anne.

(Applause.)

The clock in the back of the room is about five minutes fast. It's just about a quarter two. Let's take a five-minute break and we will come back in five minutes, so 10 to 2. Thank you.

(Whereupon, a break was taken.)

I would like to thank Anne Evens again for providing an overview of the affordable multifamily housing stock.

To commence our discussion on current utility programs and best practices and program design, we will begin the conversation by hearing from our Illinois utilities and the Department of Commerce and Economic Opportunity Programs related to energy efficiency and affordable housing, and discussion by national experts sharing problematic best practices from across the country will follow.

I would like to introduce our moderator for Panel 2, my Legal and Policy Assistant, Elizabeth McErlean.

(Applause.)

MS. McERLEAN: Thank you, Chairman, and thank you again for all our panelists. As our Chairman stated, my name is Elizabeth McErlean, and I'll be our moderator.

The scope of our discussion will be to provide an overview of current utility programs and best practices in program design.

First, we will be hearing from Molly Lunn, the Executive Director for Energy and Recycling at the Department of Commerce & Economic

Opportunity. Molly will be discussing the state's role in furthering energy efficiency and affordable housing.

Following Molly, we will be hearing from Karen Lusson, who is the Assistant Bureau Chief in the Public Utility Bureau of the Attorney General's Office, then we'll be hearing from the following utility representatives who will each discuss one aspect of the program related to energy efficiency and affordable housing: From Ameren, Keith Martin, Director of Energy Efficiency, and he will be discussing single energy programs; George Malek, Director to Energy Efficiency Services at ComEd will be talking about multifamily programs; from Nicor, Jim Jerozal, who is the Managing Director of Energy Efficiency will be discussing education and energy efficiency kits; and Patrick Michalkiewicz, Manager of Energy Efficiency and Major Accounts at Peoples Gas and he will be talking about outreach and community events.

Lastly, we will be hearing from our national experts on problematic best practices. We have Dan York and Sandy Fazeli.

Dan is a fellow with the American Council for Energy-Efficient Economy where he conducts research on energy efficiency policies and programs serving utility customers.

For the past several years, Dan has helped lead ACEEE's multifamily program initiatives which seeks to increase the number of programs providing energy efficiency services to multifamily owners and residents.

Lastly, we have Sandy Frazeli, Senior Program Director at the National Association of State Energy Officials. She leads NASEO's efforts to track and elevate best practices among state energy efficiency and renewable energy finance programs, including policies and initiatives addressing affordable multifamily housing investments.

Prior to NASEO, she worked at the Colorado Energy Office, the Rocky Mountain Institute and the Alliance to Save Energy.

Please join me in welcoming our

panelists.

(Applause.)

MS. LUNN: Thank you, everyone, and I'm just going to set the timer here, because I know we have a lot to get through today and hopefully if I'm going over time, you'll need one of these.

Again, I'm Molly Lunn, I'm the Deputy Director for Energy and Design at the Department of Commerce & Economic Opportunity, and I want to thank the chairman and the Commission for putting together this fantastic panel and session here today.

I also want to thank Anne for teaming up the landscape here in Illinois so well. As Anne laid out, there is really a tremendous opportunity for energy efficiency in the affordable housing market here in Illinois, and we believe the state as partners have very effectively begun to walk that potential, but there is such a significant market that there's still a clear need to expand those efforts, so I'm going to talk a little bit about the safety programs, and what we have to offer and where we think we have the opportunity to go in the future,so here we go.

So very briefly, just to set the stage -- somehow life grows on compost -- the Department of Commerce had an opportunity to handle different offices. Again, I manage the Office of Energy & Recycling and we focus on a range of different clean energy and recycling programs and policy initiatives, but a lot of our work is really focused on energy efficiency and in particular the administration of energy efficiency portfolio standards.

That said, we partner with offices throughout the department, such as the Office of Energy Assistance, the Office of Public Community Development, and the Office of Urban Assistance. We also offer programs that can help improve the energy efficiency of affordable housing, and, in particular, the Office of Energy Assistance we have a program, which you might be familiar with, the Weatherization Assistance Programs, and we work very closely with them.

Okay. So this is pretty familiar,

this little diagram, in terms of how that energy efficiency portfolio standards work, but for those of you who aren't as familiar with these funding, the department receives 25 percent of the state's electric and gas funds for energy efficiency, but truthfully the law is pretty general about how those dollars should be spent. It does say that we are to help serve part of the public sector and we have in the last several plans served the entire public sector market, and through agreement with the utilities and with the Commission over the last three plans, we have also been designated to administer low-income programs and we also offer a variety of market transformation programs.

The utility serves businesses, non-profits, and also residential customers, and, of course, those residential programs can touch low and low-moderate income homeowners, and so we will be talking a little bit about that later on, but the programs that are specifically targeting low-income homeowners are administered by the department.

So this is a little hard to read, but

I have included this somewhat loftly language up here just to demonstrate how sort of very general and vague the statute is in terms of low income.

So the statute requires utilities to coordinate with the department to present energy efficiency renters proportionate to the share of total utility revenues from households with incomes out of the low 150 percent of the poverty level but programs can be targeted at households with incomes at or low 80 percent of the earning community.

Anne talked about this a little bit, but that's sort of two different buckets. One hundred and fifty percent of poverty level makes up a certain portion of the Illinois market, but 80 percent of the median income is much much greater, about twice the amount of households in Illinois.

There's nowhere in the law that says that an apartment should specifically be the only implementer of low-income programs, but it has been designated the implementer for several reasons.

First, we have been offering low-income programs. The department has been writing programs focused on efficiency and affordable housing programs for over 25 years. We can leverage existing programs and partners and have a proven track record and are really well known in low-income communities, so this is something that again was brought up in the last panel. It's important to work with trusted partners and we can also design programs that complement and don't duplicate efforts of other offices within the department that are offering.

And then, finally, we are the only entity that can offer statewide integrated gas and electric programs which leads to more efficient use of ratepayer dollars and also provide consistently and clarity for customers.

So, again, to the point that was brought up in the last panel, it can be extremely confusing for any homeowner, but particularly for low-income owners, what they're able to access. It is different for every single utility territory.

So, again, Anne went into this in some detail, and I believe Karen will talk about this a little bit more in her presentation, but just very briefly, for each plan we take a look at the market and what the low-income households represent, and for our last plan, the's plan that we are currently operating, Plan 3, the department identified over a hundred -- over a million homeowners in Illinois who are at or below 150 percent of the poverty level. That was up from our previous plan, and we expect that the next plan those numbers will be higher as well, and, again, that's compared to almost twice that number for households at or below 80 percent AMI. So our budget is set at 150 percent as a whole, but we can serve twice as many customers, so that is an inherent challenge right away.

Utility customers make up a slightly smaller portion of that 150 percent number, but it's still a very significant portion, and we then set our budget based on the shared revenue paid by low-income customers and that varies by utility territory.

So on the right you see this is from Plan 3 the percentage of households by each utility territory and then how that corresponds to the percentage of our budget by utility territory that are dedicated to low-income homeowners.

So the bottom line is for where we are now in our Plan 3. Over the three years we'll be spending over $55 million on low-income programs. That's 24 percent of our total -- the department's total budget, but just 6 percent of the total used portfolio.

We offer three main programs, the Residential Retrofit Program, Affordable Housing and New Construction Program, and the Public Housing Program, and although the budget represents 24 percent of our total budget, the percentage is much smaller. That's what that 10 percent and 18 percent represent, and that's because the level of incentives required for low-income programs is much higher than, for example, the level of incentives for public sector programs.

That said, overall in our last evaluation that was completed for program year six our overall total cost-effectiveness was at a point

94, so almost at cost-effective almost at one, and we can prove that energy benefit were over one.

So by law, we don't to have meet that one threshold, but we are striving to do so, and we think our programs are doing very well in terms of cost-effectiveness, although we think there's room for improvement and we are working to make them more effective and cost-effective in this current cycle.

Finally, I will go into a little more detail about the specific programs in a minute, but overall sort of the guiding principles we use are comprehensive building system programs.

It's important when you get into these homes to do really as much as you can. If you do just light bulbs and low-flow shower heads, that's great, but the opportunities are much greater than that and, you know, the chance that you have to go back there is not high, so you want to do as much as you can when you are there, and then, in addition, as I mentioned before, we believe that we are working with trusted partners in communities is critical.

Okay.

So a little bit about this specific program. Residential retrofit is where we work in existing housing. This is an existing single-family and multifamily homes both that's subsidized markets and unsubsidized markets we talked about with Anne.

Again, we are partnering with trusted community partners, so we use various implementers each year but our strongest and most reliable partners over the last several years have been Elevate Energy, you heard from this morning; Chicago Bungalow Association, who's here today; and the Department of Office of Energy Assistance and Weatherization Assistance Program.

We identify the measures that are eligible and we set the incentive levels and then we provide funding to the implementers who determine what makes up the metrics that's going to implement the homes.

This program is very cost-effective. It's our most cost-effective low-income program and we have extremely high levels of customer satisfaction.

Affordable Housing and New Construction is again focused on new construction as well as gut rehabs, and this is both multifamily and single family. We implement this program directly, but we have a lot of technical support from Domus Plus, who have been working with us on this for over 20 years. We provide funding directly to non-profit and for-profit developers, who I think you will hear from later today, and these are developers who typically also work very closely with IDOT.

The focus is on standards, so we don't offer funding for specific measures but rather for levels of performance in building systems.

And then, finally, the public housing program. This focuses on the state's 99 public housing authorities that have throughout the state multifamily duplexes and facilities, and the University of Illinois' Efficient Living Program was also here today is our implementer for that.

We identify and implement measures across the board similar to our other programs, but funds are awarded directly to the grantees and then those grantees can leverage additional funding from organizations such as SESCOs.

This program again is very popular. It was awarded in 2015 --

(Interruption.)

-- inspiring efficiency impact or from MEA and we serve over half PHAs in the state.

So where are we going? Again, the department, as well as all the utilities will be --

(Interruption.)

Okay. We will take a little break.

(A brief pause.)

Now we are back. So we are back with Plan 4. So these are the plans that the department and the other program administrators will be submitting in the fall and we have already begun a real robust conversation with our Stakeholder Advisory Group about the plans overall and, in particular, about low and low-moderate income programs and how we can increase the impact of these funds for these customers.

So the department specifically has been reviewing our best practice reports from folks like ACEEE and Elevate that you will be hearing from later, as well as collecting feedback from our implementers, customers, IDOT, and the Lawrence Berkeley National Lab.

We are looking at adjustments to our existing programs and potentially adding some new offerings, but ultimately the goal is we do want to maximize the cost-effectiveness of the programs so that we can reach the larger population.

So, again, we don't have to reach that one threshold for low-income programs but in order to reach as many customers as we can, we do want to try to do as much as we can to make sure we are effectively using the dollars.

We also intend to support more education in marketing and outreach for low-income customers. That's something we haven't typically done as much, but, as it's been brought up, can be a challenge, particularly we have been talking again in the stakeholder group about ways to better coordinate things like marketing, potentially setting up a website that would be sort of a one-stop shop for low-income customers so that they could know where to go depending on where they live, and then some of the stakeholders have identified, and we agree, that we should probably do better tracking specifically for multifamilies, so that's something that we intend to do in the next plan.

Finally, although we do anticipate increasing our own spin in the low-income sector based on increasing the low-income population, a dramatic increase, which is why a lot of stakeholders, and we agree, and then it's going to be very difficult for the department to do alone because of the need for us also to serve the public sector, so we welcome a coordinated investment from the utilities.

In terms of where we think the best opportunities are, we don't really think there's a silver bullet. It's not some easy segment of the market and say, okay, utilities will take low-moderate income and we will take very low income. It's not that clearcut. When you are in a home, you don't want to turn people away and say actually never mind someone else is going to deal with you.

So the main things that we suggested so far are that, first of all, all of our programs have been oversubscribed, so in the last program year every program we had had more demand than we could possibly meet, so, in particular, we are very short on gas dollars.

That being the case, we encourage the utilities to invest in existing low and moderate programs and in existing low and moderate implementers, and, in fact, it's so important to work with people who are community partners, and we think that's critical.

If the utilities do feel like they need to develop their own programs or their own implementers, it's going to be really critical for us to have close coordination to avoid duplication and confusion of customers.

And, finally, we do need to balance

these goals of maximizing cost-effectiveness with filling a need. As I said, when you are in a home, you really want to do as much as you can so that you are not just skimming the cream off of these projects; on the other hand, we do need to make sure that we are reaching as many customers as we can, so that's a challenge, but utilities have been very receptive to this and we have had very positive conversations with them. We are, of course, early in the process, but we are optimistic about the potential for expanding affordable housing and better energy efficiency in the next plan.

And thank you again for inviting me here and giving me the opportunity, and I'll answer any questions.

MS. McERLEAN: Just in time. I think we should just save the questions until the end if there's time.

So with that, Karen Lusson.

MS. LUSSON: Thank you, Elizabeth.

Let me first thank the Chairman and all the Commissioners for holding this policy session and inviting us to participate.

As you know, the Public Utility Bureau of the Attorney General's Office represents ratepayers in proceedings before the Commission, but, in addition, we are very active members of the Stakeholder Advisory Group, which we think is a terrific organization that really brings together utility programs and DCEO program managers and we have had very critical discussions over the years and so we want to keep these kinds of conversations going.

We think this is an important topic not only because there's a desperate need for increasing investments in energy efficiency, in affordable housing, as both Anne and Molly have highlighted, but also as a matter of equity.

Low income and low-moderate income customers pay for the utility-sponsored, DCEO-sponsored energy efficiency programs, and we want to make sure that those customers don't get left behind in sharing the very real benefits of energy efficiency.

So with that being said, I want to plunge into a very brief discussion, which Molly already has highlighted, about what the Public Utility Act states about energy efficiency and low-income investments in energy efficiency.

First, it states that the utilities have to coordinate the allocation of available funds and markets served with these DCEOs to insure that their portfolios are proportionate with the share of total annual utility revenues in Illinois from households at or below 150 percent of the poverty level.

So I think the key important word in that statute are the concept of coordinating and insuring that this population gets served. How do we target that population? Again, as the other speakers have mentioned, it is directed at populations at or below 80 percent of poverty level of 150.

Other relevant statutory provisions, in the electric provision it talks about energy efficiency measures reducing delivery load, so we all know good things that happen when delivery load is reduced, it goes without saying, and then particularly in the gas efficiency statute, it sort of highlights the fact that the General Assembly has indicated that one of the goals of investment in energy efficiency is to reduce both the direct and indirect costs to customers. So stated another way, let's save people money on their energy bills.

The other relevant statutory language, which for purposes of this discussion is their requirement that utilities as they prepare their plans take into account the unique circumstances of their respective territories, and, as we'll see, and as Molly and Anne highlighted, that's an important factor when you are planning your budgets for investment.

So how great is the need in Illinois for low income and low-moderate income directed at energy efficiency? It's great, as we already heard.

This year we unfortunately don't have the percentage of the income payment plan that's otherwise none as the PIPP due to the budget crisis.

That's a huge loss for customers who were on that. As you know, PIPP enables customers to qualify to pay up to 6 percent of their monthly income towards their energy bills.

It's estimated that on average most customers pay -- non-low income customers pay about 6 percent of their monthly income to energy, but if you are low income, that number increases to about 30 percent of estimated monthly income, so PIPP is a very valuable program for customers who participate.

COMMISSIONER McCABE: Can you just -- what's the usual size of the PIPP program and how many people does it serve?

MS. LUSSON: The PIPP program serves, I think appropriately, a little over 59,000 customers in the state -- and I have a slide later on that -- I believe less than 5 percent of the low-income population of the state, so I think that's the correct number. It's a small percentage and, that's highlighted here, again the incredible need for additional investment in low income and low-moderate income energy efficiency.

CHAIRMAN SHEAHAN: What's a typical budget, the annual budget?

MS. LUSSON: The income or the budget?

CHAIRMAN SHEAHAN: The budget itself.

MS. LUSSON: I'm sorry. I don't know that. I'll find that out.

So the other occurrences that have impacted low-income customers here in the state, LIHEAP funding was delayed by a month because of the budget crisis, and, as Molly explained, of course, DCEO's ability to implement programs has been impacted, and so the ability to pay vendors is non-existent at the moment as a result of the impasse, and, of course, the cuts in this situation that bothers me the physical program strain low income, low-moderate income budgets.

Again, talking about the need, I want to highlight an economist by the name of Roger Colton. He's nationally-known, at least in the ratepayer advocacy community. He's an economist who studied what's called the "Energy Affordability Gap," and each year he publishes a study and updates it by state across the country. He's indicated in his study that -- he identifies the size of the population as staggering, and you can see the numbers there.

I'll quickly go through these, because Anne already highlighted that. That was the chart showing the federal income poverty level, and this is the percent of low-income customers by utility territory.

This is an important chart I think because it gives you an idea of what kind of -- the size of the population within each utility service territory. I highlight this again because 80 percent of the area median income, that's the number that the General Assembly identifies as the basis for how you track low-income programs, and it's worth pointing out, and I think Anne has already pointed out, that looking at the City of Chicago Peoples Gas territory, we are near 50 percent there, so it's a staggering number. That's another example. Anne has already gone through that of what 80 percent of AMI represents.

Now Molly's slide indicates low-income spending is about 6 percent of the portfolio. This is a slide that was obtained recently, so it's somewhere around 6 to 7 percent of the energy efficiency pie, and, again, given those numbers of low-income customers in the state, I think we have to recognize that that's just not enough money to address the incredible opportunity to invest in efficiency for this population.

Again, talking about the need, we do know about energy rates. We have been enjoying energy supply prices. The prices of utility delivery service is not going down. Here's some data from the Commission's own website of recent increases.

Here, again, the City of Chicago Peoples Gas service territory has the highest monthly heating customer charges in the state, highest per therm charge, and we know that the trajectory for utility prices here is on the upswing because of investment requirements down the road.

Here's some more numbers for North

Shore and then we have in Illinois -- as we know, we have formula rates for the electric companies, so each year ComEd will file annual rate adjustment filings. While there have been years where, because of the weather and other variables, there's been a couple of decreases overall, the trajectory increases.

We know, too, that to qualify for formula rates that the ability to file for rates is accompanied by a requirement that you invest in the Smart Grid infrastructures and other reliability infrastructure. So, as the rate base grows again, the trajectory will probably be going up.

The bottom line, we believe the utility's expansion of existing low-income efficiency programs and additional coordinated low-income and low-moderate programs are greatly needed.

So there's three questions I think that provides recognizing that: What percentage of the utility residential portfolio should be allocated to these customers? What implementation models makes sense in order to insure coordination? What vendor contracting and marketing strategies should be followed?

So there's some good news here. The discussions to increase, as Molly mentioned, low-income and low and moderate energy efficient investments have begun in the Stakeholder Advisory Group's three-year planning process. It began last fall, so we are working toward optimistically a consensus agreement about this kind of investment in utilities the next three years' planned filings.

Our office presented a formal proposal late last fall for utility-sponsored, managed low-income, low-moderate income programs in addition to DCEO's investment, if the need is there obviously.

The utilities, to their credit, people sitting here on this panel, appear to have embraced the concept. Next month they will be presenting more formal proposals on budget amounts, so the conversation continues, but, again, we think that we are optimistic in implementation, and details will be critical so that the utility programs are coordinated with DCEO programs, and so the issue of what percentage of the residential portfolio should be allocated, again, looking at just LIHEAP and PIPP participant numbers isn't enough.

In answer to your question, Commissioner, the number of PIPP customers is estimated to be about 5.4 percent of the Illinois population. Again, I'm bringing back this chart to show utility percentages by service territory of that 80 percent AMI figure. That's relevant criteria when planning budgets.

And other considerations that are important to look at again -- and, of course, Anne highlighted this, as did Molly -- that is examining the housing stock within the utility service territory.

Here's some information from a recent study and that shows in the ComEd and Ameren service territories the number of public housing, subsidized affordable housing, and unsubsidized affordable housing over those various size units, so that's a consideration, and whether or not those are classified or those accounts are classified as commercial or residential should impact a decision on investments.

Again, what kind of implementation models, expansion of existing or previously existing low-income DCEO programs that can be easily coordinated with utilities. For example, low-income residential retrofit programs that Molly has highlighted, these are local vendor partnerships to achieve deep retrofits in low-income and low-moderate income housing. They're joint electric, gas programs.

Ameren, which I know people discussed, has a well-regarded program for low-to-moderate income customers that include deep retrofits and financing, and perhaps there are opportunities for educational programs coordinated with DCEO.

The message that I guess we want to convey to is let's not reinvent the wheel for utility programs, low-income and low-moderate programs. Look at utilizing local experienced not-for-profits that have been doing this for years, establish trust in these communities, and, again, we don't want to create any kind of confusion for DCEOs play very important role in this market.

Again, I highlight the need to invest in deeper long life savings for retrofits, and then there are some unnecessary barriers that I think other panelists will be discussing, although I'm not an expert on, but there are discrepancies for qualifications of OBF loans that the utilities can insure what they knew to insure their OBF packages include all of the measures that they provide incentives for, and then it's really important I think that utilities meet regularly with DCEO and other market players to increase housing.

One final thought, this is from the National Housing Trust, this echos what Anne has stated earlier that energy is a significant expense in maintaining affordable housing.

So I'll close with that. Thank you very much for allowing me to participate.

MR. MARTIN: All right. Well, thank you

for the opportunity to speak today. We have heard some great and very informative statistics that really characterize the affordable housing market. I would like to add two statistics to what we have heard today.

The first is that 25 percent of the single-family homes have a market value less than a hundred thousand. The second statistic, the research that Ameren has completed just this past year, indicates that 25 percent of the single-family owner-occupied homes these survey respondents categorize themselves as low income. I can't say that they define themselves as low income the way we define them as low income, but they certainly see themselves in a difficult situation in having trouble managing their energy bills.

COMMISSIONER ROSALES: I have a quick question. Your numbers are from Ameren or from the State of Illinois?

MR. MARTIN: The first number is the State of Illinois; the second number is for Ameren.

So let me take just a minute and talk

about the utility's Single-Family Assessment Program. We have various names for it, the Home Efficiency Program or Assessment Program. This program basically has two parts.

The first is an in-person visit to the home with direct install measures. It starts with a phone call from the homeowner. The assessment will last anywhere from one to three hours. We install CFLs, faucet aerators, low-flow shower heads, thermostats, and then, more importantly, I believe, although that direct savings is significant and does provide instant savings, we leave behind an assessment of the home and a plan that allows that customer to look more long term at the changes they can make in their home.

In most situations, this assessment is at no charge to the homeowners, so they are receiving a value with the direct install measures, and then also they have a plan that they can explore over the next month or perhaps even years.

So we have talked a little bit about trying -- when we go into a home, we want to do as much as possible and we want to put in place a long-term plan. This is what this single-family program is really all about. It's trying to get retrofits addressing the insulation, air sealing, heating and cooling equipment, thermostats, whether they be the smart thermostats or programmable thermostats, and certainly an upgrade to the latest lighting, most efficient lighting, also the local aerators, save on hot water costs which translates into lower bill savings, so these are a fairly comprehensive stream of measures. Again, initially there's a direct install, and then there's opportunities for follow-up.

So just to share some of the savings to-date and kind of where we are at today with programs, we kind of collected these statistics across the utilities. Our programs vary a little bit from utility to utility, so I'll provide some round numbers.

The programs have been running for about three-to-four years. To-date, we have a budget of somewhere around 50 million, although we completed about 50,000 audits. The direct install measures include 500,000 CFLs, 75,000 efficient aerators, 50,000 shower heads, 15,000 programmable or smart thermostats.

I also need to point out that about 30 percent of this work has been completed in the most recent year, so these programs have increased in size and scope over the past three or four years.

It's a little difficult to capture the major measures, such as insulations that are attributable to this program. Some of these measures are not installed for maybe weeks, months, and perhaps even years after the initial audit, but we know there's at least 15,000 projects related to air sealing, and, again, air sealing is a variety of things. It's air sealing around trim joists, soffits, cam lights, chimneys, windows and doors.

There's been approximately or at least 20,000 wall to sealing insulation projects, 15,000 efficient furnaces, and 30,000 efficient air conditioners, so there is some progress.

I know we have seen very significant

numbers in total potential and the programs do continue to grow and continue to make a difference.

As Karen mentioned, Ameren runs a program that's a little unique. It's something that we have been doing now for two or three years. We actually run two efficiency -- home efficiency programs, two assessments. One is for traditional income households. The other is for households whose income is at 300 percent of poverty or lower. The rebates are much higher for this particular program. We also bundles in On-Bill Financing.

We also do a little bit beyond the traditional programs in a more comprehensive audit along with a more comprehensive plan and then assistance with the homeowner to really find the contractor that participates in the program and help complete the work.

We continue to grow that program. At this point we have had a budget of about $8 million. We are doing about a thousand homes a year. The biggest challenge is finding contractors that would treat the home as a whole system.

There's a lot of HVAC contractors. There's a lot of insulation contractors. Bringing these two skills together to really look at the home in total has been a little bit of a challenge.

We do have somewhere in the neighborhood about 80 contractors now participating in that program. So I will stop there and pass it on to George.

MR. MALEK: Okay. Thank you, Mr. Chairman. Thank you, Commissioners. I have been privileged to be part of the portfolio standards since the start of this, so I've really seen a lot of good done here, but I have no doubt in my mind that there's more to be done and I have no doubt in my mind that we will be getting more impact from our programs.

I think, as Karen started to describe a little bit of the process of the SAG and how well that's going, and then underneath that the process of the utility's coordinating has also been very, very exciting, because, as you have seen before with some of what Anne has put up, the need is comprehensive. It not just one type of fuel and energy cost that's a burden on all of it.

The program that I'm going to be focused on is the multifamily program, and for Ameren they happen to be a joint utility so they can cover all that on their own.

In our service territory we basically partner with Nicor in providing these and offering these services in their service territory and then with Peoples and North Shore to actually take and complete that offer in their certain territories. So our programs are sort of the privately-owned properties, as Molly described earlier, the public entity which we have kind of have been staying away from.

Once in awhile we get a request and we coordinate and make sure that we're not going to be stepping on each other's feet, but, for the most, part we serve all the privately-owned properties regardless of income, so the program provides free assessment, and that is an assessment to the common areas, the heating system, any, I guess, common area consumption that we need to look at.

It also provides direct install in the units, so that includes the CFLs, water measures to save on hot water, programmable thermostats, and, obviously, sit down and education with the tenants and in some cases we actually even do the piping.

On the common areas, we do have -- this is where there's a little bit of that complexity of different programs being straddled, and that's probably what we'll have to address as we evolve these programs to make sure that the messages are understood by those planning the programs, but the common areas are typically commercial accounts, so they kind of fall under the small business or if they are really large, they're under the large CNI, and the units themselves are residential, so they kind of straggle different programs.

For the area where Peoples Gas and North Shore, any building that has three units and more qualifies in the Nicor area is five units plus, all others are served by the single-family type programs that we talked about, and those include condo units and some of the smaller units.

And, again, we do a lot with common areas, parking, outdoor lights, and some of the furnace and boilers, so some of the stats so far from ComED, and then I'll take it statewide. We know of 722,000 multifamily units that are rental and we have served over 2000 -- 200,000, so that's about 28 percent of the units have been touched with the free direct installs and with the measures.

Now, again, this is on top of whatever has been touched by the public entities, so we have a little bit of a potential study that we have done, so we think out of 1.2 million multifamily customers, 722,000 rental, the other 500 or so are probably condos, and so they would be served elsewhere. Of the 1.2 also million multifamilies, 827 are associated with five-plus units, so they would have qualified in both areas.

There's also a DePaul study that documents that in Cook 110,000 units are in 50-plus unit buildings. With that, I want to highlight that there's a lot of scattered smaller buildings. It's much easier to get to the 50-plus

-- 150-plus dealing with a property management company that's serving that market, and, again, word-of-mouth starts to really work effectively and they do all their units, but we are dealing here with a lot of scattered multifamily smaller buildings which is part of the areas that we are beginning to look at and have tried to look at collectively.

When you go on the Illinois level gathering the information from all the colleagues, there were 290,000 units touched with these programs. Again, when you look at the comprehensive and buildings that basically got something done in their common areas, that adds up to about 150,00 units touched. Savings, there's over 200,000 megawatt-hours and over 21 million therms, and we have spent on this multifamily program collectively over $66 million.

Challenges, as I started to explain, really the early days we were really rich. We were getting a lot of participation, because every outreach, or lead, or sales lead was getting us lots of units, but that dwindles down, so now you think about the average cost to get one building that's smaller is not that much less than a bigger one.

So we have to think about how to serve that market a little bit more effectively, but the opportunity is to do the coordinated outreach. I think Pat will run through some of the outreach that we try to do collectively and, again, use those trusted entities that the communities go through for these types of buildings.

In addition, I think for the common areas we have really seen a fantastic I guess acceptance by the trade allied community and contractors who have become ambassadors and kind of representatives for us.

And, lastly, the other opportunities, again a bunch of multifamily stakeholders maybe some of them are not as active as we would like them to be in the SAG process, but we need to start getting them better engaged in helping us steer these types of programs, specifically on outreach and having the marketing plans that resonate with the customers.

So that's it from my part on multifamily.

MR. JEROZAL: Thank you, Chairman and Commissioners, for the opportunity to speak, and I am going to be talking a little bit about energy savings tips, and I have a little display for you, too, as we talk.

One of the strategies that all of the utilities have presented here today include free energy savings kits of some kind and these are free to residential customers. You'll see you have in your hands there an example of two different types.

Common across all the programs is essentially one basic rule. We try to make sure that each of the households receive one kit so that we verify to make sure they only get one, but basically what you are looking at is two different types of kits. We have either a gas-only or a pane gas and electric type of energy savings kit.

A typical gas kit would include something like a low-flow shower head, aerators for kitchen sinks. It will include maybe or furnish insulation instructions and other materials that we provide for our customers, and then the joint kits with gas and electric, the CFL light bulbs. There may be three or four types of light bulbs that are out there. They're different wattage.

The other type of program that we --

CHAIRMAN SHEAHAN: Jim, when will the CFLs get replaced by LEDs in this case?

MR. JEROZAL: That's a good question, maybe our electric can answer that right now. The CFL is what's included in the kit. I know that some of the electrics have been thinking about creating a kit that includes LED, but right now we --

MR. MALEK: I guess, in general terms, it's very soon, because the market, as of 2017 early on what happened is that EnergyStar no longer is going to label CFLs, so it's kind of a double-edge sword, but it is a great product but it is more expensive; however, we are seeing a pretty decent drop in the cost.

So we are already talking about how it's going to impact our plans and change the mix of what's in all of our programs to really almost eliminate CFLs. There are certain types that are very useful to certain specialty items that are still useful, and, again, the price point is still there. So for those who can't afford LEDs, we have to have something in the market-place that still have some savings, so it's a balancing act that we're going through as we follow the time line when things are happening in the market.

COMMISSIONER ROSALES: So, again, when will they come?

MR. MARTIN: For Ameren, I think June of '17, which is the beginning of the next three-year plan, will be an important date where CFLs versus LEDs are headed and will be an opportunity for stakeholders to have them put on the next two-year plan.

So to me there certainly would be CFLs between now and then. To what extent the CFLs after that and in the next plan, I think we are looking for feedback.

MR. JEROZAL: And the other example you have there is an elementary education or a school kit, and the kit that you have there in front of you is a jointly brand of kit.

Nicor, North Shore Gas, and ComEd jointly implemented a similar program design to target a 5th grade classroom.

Ameren has a program as well that's targeted for 8th Grade classrooms. Similar to the other kits, they include those water savings features. They include CFL light bulbs and also some educational materials that would be appropriate for that classroom, so it's currently for the teachers so teachers can teach energy awareness, and that includes the whole spectrum of energy use and savings.

It also includes things like a thermometer where they can go home and check the temperature of the water and flow impact so that you can do a pretty imposed test of your flow rate by putting the device on and it's sort of like a scientist or some homework that's in the classroom would be great for the kids and the teacher. They go home with their parents and do these sorts of experiments, bring the data back to the classroom where we send that classroom maybe a mini grant. It would be a hundred dollar grant for the classroom to compile data and collect data. It's been a really exciting and interesting program. We have had a lot of participation.

In general, when you look at the landscape of these types of kits that we offer, roughly over the last four years or the last three years and going through the next year's plan, roughly 85,000 kits a year have been deployed and about 340,000 kits over that time period, and they have been quite successful.

How they work is basically the customer uses less hot water by putting these flow devices on which means that they won't use as much gas obviously, or tap water.

In the case of electricity, lighting the home with CFLs, and lighting obviously saves kilowatt-hours and there is significant water savings, because we calculate that maybe over this span of 340,000 kits we collectively save 1.2

billion gallons of water a year, so it's quite significant. All those numbers start adding up.

I think one of the things to keep in mind here is that, because of the simplicity of such a kick-off plan, it's quite direct and easy of us, if I can say, to target a kit to key stakeholders and key groups is a good opportunity to engage the customers that might be needing assistance.

LIHEAP centers or energy outreach income assistance, these are all great events that utilities have targeted and continue to target those that are most in need of those kits.

I know Nicor Gas use Meals on Wheels events where we went through and gave the kits to customers for free, and then we had arranged for a volunteer group to go behind us and actually install those for customers. We are able to direct mail them.

Ameren has a program where they direct mail kits, especially in a territory like Ameren where there's such a vast territory that they have targeted a kit through mail and these school kit programs can be obviously targeted to school districts or schools where there's maybe an ideal target audience that you are trying to reach with that under-served school district, for example.

We have been in discussion, and I echo the comments from Molly and Karen Lusson about the cooperative nature of all the utilities and other stakeholders have been trying to focus on directing and targeting the customers most in need.

I think there are opportunities here to work with DCEO and leverage on both sides to try and target these to affordable areas and also utilities are averaging current assistance outreach efforts, savings programs, Nicor Gas versus the Salvation Army, for example, so there are places where we can use these kits and to reach those customers that we know are in need.

Just as a point of reference, for Nicor Gas, you looked at data that we passed out, the low income and moderate-income groups that we have based on basically about income less than 50,000, and from our data we are showing that

29 percent of the kits that we deploy have gone to households that are less than $50,000 in income, which roughly have been met and looked upon in categories.

We also found that some of these customers do need some assistance in deploying the kits. It's one thing to get the kit, it's another to actually use the devices, and so through a survey and follow-up with our customers, we have identified where some of the customers that might be either age -- say age challenged, because of age, or maybe because of some physical limitations, need some additional assistance, so we have worked with trade allies and partners to go behind and follow up with those customers to make sure those devices get installed.

The bottom line, kits are great tools for utilities to meet the needs of all our customers and it's a good tool that we can use to target groups like low-and-moderate incomes. Thank you.

MR. MICHALKIEWICZ: Good morning, everyone. I'm Pat Michalkiewicz with Peoples Gas and North Shore

Gas, and I also would like to thank the Chairman and Commissioners for hosting this session today.

I'm going to speak about the outreach and community events that utilities participate in employing energy efficiency programs, and but, as Molly and Karen pointed out, there are definitely more opportunities in low income and moderate-income sectors.

I think what you will see when you go through the text that we participated and the partners that we have helped us work through this will be a real nice fit as we expand the utility programs to include more low income and moderate-income for their portfolio.

For a lot of the residential programs, the utilities have taken more of a grassroots approach in trying to reach out to customers and help them understand energy efficiency programs that they can have, and by going through and participating in events, what we are trying to do is reach those customers where they live, work and play, and those forms have provided a more meaningful opportunity to converse with customers and talk with them one on one on what these programs are all about how we can help them.

Over the last three years, Peoples Gas and North Shore Gas have participated in over 400 events and we have achieved over 6800 customers on those. On a statewide level, the utilities collectively on the table participated in over 1600 events resulting in over 18,000 customers for our programs.

We have even identified those opportunities by partnering with community groups and key officials and talking through some of those examples where we are at.

While some of the type events that we have been havomg include senior events, resource fairs, which have great education opportunities because at resources fairs customers are there to learn about resources that can help them.

We have participated in health fairs, housing fairs, back-to-school events, and more events. These events have provided opportunities to schedule customers on the spot for program participation, programs, like the Peoples Gas Home Energy Jump Start Program, which is our totally free direct install program, and customers are ready to sign that.

We provide them with the information they need or if they have questions and want to follow-up later on, they will know who to contact and they can make things happen.

So we very actively have sought partnerships to identify when and where these events are, and who would be attending, and who the likely audience would be to try to optimize where we go and have the information prepared to deliver.

So partners have included local elected officials, neighborhood housing services, CUB, CEDA, health service organizations, diverse Houses of Worship, and neighborhood councils, and those partnerships have provided us access to the events, access to their newsletters so we can add information there that goes out to constituents, and to that we have developed many advocates to help promote our energy efficiency programs.

So the goal of all of those efforts is to help customers understand what they qualify and are eligible for in order to maximize their savings. We enlist participation when we are there. We are also encouraging them to share information about energy efficiency opportunities with their community.

One of the challenges I think that both Anne and Molly talked about with the affordable housing in particular is that these are typically rental buildings where the tenants themselves don't necessarily have the meter for direct savings in order and whether or not to implement energy efficiency measures.

So in most cases we try to identify the property owners and engage them, and we also encourage comments, to talk about problems around the property manager, to talk about the program.

So I mentioned at the very beginning we recognize that there are additional needs in the low-income sector, and we echo the things that Molly and Karen said in that regard, so we are committed to adding low income and moderate-income programs in our next three-year plan for the gas program '17, and we also recognize the coordination with DCEO is the same to many programs and to ours.

So, to that end, we initiated discussions with DCEO and Elevate Energy, with CIC, with the Bungalow Association, with the City of Chicago, to kick off our planning efforts for the low income and moderate-income programs that will be part of Peoples Gas and North Shore Gas initiatives moving forward. Thank you.

MR. YORK: Good morning. I want to first thank the Commissioners and the organizers for this really valuable day. I think the fact of getting a full commission devoted to an entire day on such an important issue speaks really well to the magnitude of the programs and its importance, so I think this is a great starting point.

I'm Dan York from the ACEEE, American Council for an Energy Efficient Economy, which by its very nature screams that we are one. We are based in Washington, D.C. Our home is in Madison, Wisconsin, but my task today is to review some best practices that we found in our work, and this all stems from a lot of what we do is advocating different programs and policies to advance energy efficiency.

One area that emerges over the past several years is just the multifamily area. You heard already there's this great need out there, and as utilities have been pushed to achieve high-energy savings across their systems for a lot of good reasons, the multifamily area was one that seem to be getting left behind, and you've heard a lot of earlier statements on why that's happened, and we saw that there was clearly a need out there and a lot of what we did initially was almost similar to what's happening right here now.

We have got these different groups together that all have some stake in the multifamily market, but, for whatever reason, you speak different languages. You have got different priorities. The utilities are interested in energy, to finance people, and money flow, and just getting the right people in the same room. The multifamily market is really complex at times and it takes these different groups to kind of come together and find those areas of common interest and resources.

So this project was really about trying to bring multifamily programs up, and how many customers they're serving, and energy savings, and just being an important and significant part of the energy portfolios for the utilities.

So I'm going to throw a resource up there. We documented a lot of the best practices, and some of our partners, Elevate Energy, work with us on some of our research. We have got a web page up there that you can go to, and there's not only our own publication, but a wide variety of other ones up there. We have got major funding for this with the McArthur Foundation and some others.

Just kind of quick capping some of this untapped energy savings, we tend to hold that to buildings. We've heard these problems between the renter and the property owner who pays the bills and who has control of the building systems, and all that, and then energy efficiency is just one of many things that a building owner and operator faces in their daily lives and challenges. There are building upgrades of all types, just keeping the roof from leaking and keeping an update on the appearance of the property, the routine maintenance, and just the other costs that are streaming in and out associated with multifamily housing.

There's oftentimes financing is needed, but this is when we find a clear mismatch sometimes between when a utility want to provide some kind of financial incentive or rebate for some project versus when the people financing the project need the money, so some of those problems have been worked through, but that's just illustrating some of the challenges that have existed and there's uncertainty about the payoff and will these investments really deliver the savings you are telling me, and then there's a lot of confusion about available programs and incentives and, you know, when you are overwhelmed, you tend to just shut down and turn on the TV or do nothing else.

So, as part of this project, we have done research looking at those programs recognized for being successful in addressing this market, so we looked at programs across the country, through peer networks, or whatever, to really identify those programs, and what I will be showing you in the next three slides here is just looking at some of the key barriers and how the program designs have addressed those barriers and those challenges.

So the capital constraints, you know, improving the property has a cost and you add more insulation, how do you upgrade the steam and heating system, whatever it will take, lighting, so there's capital constraints, so some program services are designed to help meet and offer the on-bill financing and offer low-cost financing. You want to serve both low income, the affordable housing market, as well as the market rate -- market and the conventional, and you want to provide multiple pathways for participation; efficiency kits are great entrants, but going beyond that, getting the building assessments and figuring out longer term upgrades, the steam heating system is about to go, and then you need a plan for that, and then aligning the utilities and housing finance I just mentioned timing and speaking different languages and to get around that.

For the split incentive, there's a direct install, rebate, and comprehensive. By doing all that, you kind of meet each part of the puzzle involved in the multifamily property, but in direct install, they're paying their electric bill, the CFL, whatever it is, it's going to give them some direct benefit, but the property owner will benefit from the more comprehensive investments and improvements, and then you want to provide measures that are providing some type of incentive where there is lighting, but then you also want to have options to go after larger systems and building upgrades, and you also want to reward performance.

You don't want to just pay for stuff. You want to pay for stuff if it comes after delivering savings so you can structure financial incentives, some more comprehensive retrofits. Sometimes there's a tier approach if you go deeper into the building, more comprehensive retrofits at the incentives level as well.

Another challenge is the limited capacity of technical expertise, you know the typical property owner or property manager has just a million things on their to-do list on any given day, and so you are throwing an extra task at them to go in and deal with energy efficiency, so the program model, the one-stop shop, and Elevate Energy has been a leader in developing that program model.

So essentially the property owner has just sort of expressed interest, I want to do something to my building, just lead me down the golden path, because I don't know what I want and I don't know what I'm doing here.

So from entry into the program, to the follow up, monitoring, reporting of, yes, these improvements you made over the last two years going through this have actually made a difference and here's the evidence right here, that kind of model really helps bring people in and creates participation, making things easy through streamlining income of rebate or incentive. We have to fill out paperwork, so there's pretty slick ways to manage those kinds of things, also partnering with the local multifamily housing industry.

Again, it's a complex market. There's a lot of people involved with builders and developers, financiers, community. Actually it's any number of groups, but getting, engaging that group and focusing on output and knowledge of the program, and then you are going to get a lot of good information about how these programs are most effective, and also coordinating the electric and gas parts of it, because we know that they are certainly separate heating and electricity buildings.

So the collaborative program model -- and I'll wrap this up real quickly. When we look again, who are seated around this room, all the different interests, different groups, and that's the foundation for what we find for successful programs, just getting those people that provided by common ground expertise.

So the utilities they have got the financial incentives, provides audits and energy assessments, a lot of technical help, possibly financing, the evaluation, measurements and verification of those savings, community development and housing organizations, they're advocates for residences. They worry about jobs. They can facilitate the projects. They can offer leverage and additional financing, sources of capital.

Housing finance agencies are important to this, especially in the affordable housing market. There's groups involved with design assistance and provide their pipeline projects.

We are involved in Massachusetts and we discovered that the utility and the state housing finance agency were physically in the same city block or or something that they hadn't really talked to each other about some of the energy efficiencies, so just getting them together was a huge step forward, and then in a multifamily building -- the building industry, the owners and managers they talk to each other. The contractors move that market. So if you've got a good program, the word of mouth is a valued proposition there for the building owners. They'll come to the program. It's got to be there and get their networks.

So we will be working with some people up in Minnesota and the housing association up there just some of their leaders just came to be part of this roundtable discussion.

As you said, if you have got a good program out there, our people will help spread the word and you will get our participation.

So just to wrap up here, going in we know that there are savings out there in multifamily buildings. Looking at best practice programs and for doing all the -- both direct install and comprehensive, you can get upwards of 30 percent savings for the buildings. That's significant, especially for people living on margins and really straining to meet a lot of their daily life costs, and these measures are long lived, and if you go in and retrofit a building's heating system, that's going to be improving the building's envelope.

And -- well, anyway, this last slide, just wrapping up to say that doing these measures, there's a lot of other benefits to them. There's not industry backers, as we call them. They're very bulky. There's health and safety issues that play with multifamily housing. There's an improved comfort. There's -- the property owner's their property can be more competitive. Some renters and households are looking for the total cost of living, and so knowing that a building is energy efficient can really help them.

So more on our best practices. Here's a report that we published a couple of years ago. This kind of summaries and captures a lot of what I said here. So, again, thank you for your time and attention.

MS. FAZELI: Hi everyone, my name is Sandy Fazeli. I'm with the National Association of State Energy Officials. Thank you to the Commission for having me here. I'm here to talk a little bit about the some points about national best practices, but first I want to provide some quick words about NASEO.

We are a national non-profit association. We serve as a resource for and about state and territory energy offices. There are 56 total in Illinois, and Molly's office at DCEO is involved in our organization, and the state energy offices cover a pretty wide range of programs and policies, including energy infrastructure, generation, transmission, distribution issues, as well as energy, security, resiliency, energy efficiency in the buildings and industrial sectors, clean alternative fuel and fuel economy in the transportation sector, as well as energy efficiency and renewable energy financing.

The way that we found multifamily energy efficiency fits into the state energy offices work is that there is no wrong way to fit into this work. There's quite a diversity of approaches and we often don't really refer to best practices. We look really refer to policy options and policy lovers, because it shows that the state energy offices are trying to come at this sector in terms of what's happening locally on the ground rather than trying to put a one-size-fits-all approach.

So a lot of our work with the state so far has been concentrated actually in states unlike Illinois where there isn't particularly a strong commission for utility leadership or energy efficiency for affordable housing, and so a lot of the examination of this space and of the policy lovers and practices that we have been looking at they have been focused on the policy interventions, the administrative actions, and financing programs that might be able to help move this space even outside of a utility driven, ratepayer-driven context.

So my hope today is that it might be able to highlight some insights for growing the pie, growing the energy efficiency pie, leveraging actions of investment outside of the ratepayer's sphere that might be able to actually help leverage and expand some of the programs -- the ratepayer programs that were covered today.

So I've structured the remainder of my remarks around themes and approaches that we are seeing driving the state energy office involvement in this market.

The first theme is that a lot of states are looking to frame the public purpose that drives multifamily energy efficiency investments and it's really turning out to not just be an energy or a housing issue. In fact, it's very cross-cutting as we've learned today, and at the state level some coordinated investment and action can really help this market.

So a few of the policy imperatives that multifamily energy use really cut across obviously building and strategic energy use, housing affordability and preservation, and kind of this movement to keep families -- low-income families in the community is where they historically have been rather than push them out.

There's also a public health benefit. There's economic and community development and human services benefits that arise from multifamily efficiency. There's environmental, and air quality, and community resilience factors as well, and so there's actually a few places across the country that we are seeing these kind of cross section intersection playing out.

For instance, in Florida the State Energy Office and the State Housing Agency have joined together to deliver a multifamily energy retrofit financing program. It leverages energy efficiency funds from the State Energy Office but really deploys them using the housing network that the housing appropriation in Florida has already been active with.

In Tennessee there's been some really interesting engagement across agencies in the context of the Clean Power Plan that is rather contentious at this point ruling from the Environmental Protection Agency on reducing greenhouse gas emissions but that their compliance effort has actually included not only the air quality regulator but also the State Energy Office and the Housing Agency, and they're looking at how to motivate the affordable housing community in that sector to participate in some of the compliance and energy efficiency reduction efforts that are going to hoping advance under the Clean Power Plan.

And then the final interesting example I can give is that in New Jersey a few years ago they established an energy resilience theme, and that was really focused on micro grids and grid resilience, especially in response to Hurricane Sandy -- no relation -- (laughter), but one area that they're looking at is to increase efficiency in public housing, have those public housing properties based on an honorable micro grid, and then when a disaster occurs, that might shut down the power vulnerable to communities that are already living in public housing, and their situation is further exacerbated by this disaster and they can continue to have power, and function, and kind of control their energy management and energy use during those difficult times.

So I think it really kind of

highlights the grid energy housing intersection that I think sometimes might get lost if we focus just on, you know, what ratepayer funds can do and not have brought in the conversation what other types of investment can be at the table.

The second theme, and it's related, that I'll highlight is that states are also looking for innovative ways to align policy with regulation, and, again, I think the idea there is to kind of put in place policies that can help make utilities' difficult task of reaching this sector easier or more impactful.

So one example -- one kind of policy regulatory cross-section example is in Vermont where non-energy benefits are now being used in cost-effectiveness tests.

The Vermont Public Service Board recognizes non-energy benefits in their analysis of energy efficiency investments, and we're definitely seeing more interest across the states and how to quantify these benefits and to have them play out in the utilities here to kind of help adjust how investments are allocated.

Another interesting place where this cross section is coming through is in the financing sphere. Fannie Mae and the Federal Housing Administration are both offering energy efficient mortgages, and as of last week they were saying that they're almost over-subscribed because there's been so much interest.

So housing developers and property owners are really interested in kind of that financial incentive and are willing to use their refinancing events in order to implement efficiency measures and kind of reach that new level that would qualify them for lower interest rates on other mortgages.

Another policy lover that we have seen across the states is using the low-income housing tax credit program, or LITEH, so that drives financing and funding to developers of new or rehabilitated affordable housing, and state housing finance agencies are generally the lead administrator of that program, and they've really begun new efforts to incorporate green standards into the process that they use to allocate those tax credits out to developers.

So in Illinois, for instance, they grant projects that emphasis energy efficiency sustainability, including a community walkability, access to public transit, EPA, certain Energy Star certifications, and other types of certifications.

And then the final -- the final policy theme that we are seeing across a few states is an increased focus on data benchmark and transparency, and while it's still pretty decent in affordable housing, 14 cities, two states, and one county have passed laws for large commercial buildings to have them share their utility data, and a number of these jurisdictions, including Chicago, Boston, District of Columbia and others, have adopted multifamily and single-family policies as well.

The Institute for Market Transformation, which has been doing a lot of work in this space, estimates that commercial building stock simply the active benchmarking can result in savings of up to 7 percent in terms of energy management, and I am giving building owners and operators a better sense of how to control their energy systems.

The third and final theme I will touch on, I think is something echoed throughout this panel, is to meet the affordable housing market where it is and to seek strategies that leverage existing actions and investments, so I think this is really where the one-stop-shop model has to come into play. It's also where innovative financing can come into play, and, again, offer opportunities to tap into new sources of capital during a budget crisis or when utilities are also already very constrained in terms of their activities. It might help bolster their activities, even absent, you know, assisting capital flows into traditional funding areas.

So in terms of innovative financing, I think, as Dan mentioned, it's necessary to be mindful of some of the financing constraints and debt characteristics that are often involved in affordable multifamily properties. It's often difficult to add new debt to buildings, so there have been on-bill programs, as well as property assessment energy programs, as far as contracting programs that I have had to work around those constraints, and I'm happy to provide more detail if there's interest.

So just to restate the themes, I think one is to look at the public purpose in terms of the various facets that multifamily energy efficiency offers and to get stakeholders to reflect those different interests and benefits, two is to align policy and regulation to support programs, whether they're helping the utility space or just trusted implementers.

And, finally, to lead the market where it is in terms of understanding what the characteristics of multifamily properties are when you are delivering financing and efficiency programs. And with that, I'll conclude.

CHAIRMAN SHEAHAN: Great. Thank you, Sandy. That was a great summary of what's going on around the country.

Any questions?

COMMISSIONER ROSALES: I do, Chairman.

Thank you all. I appreciate your being here this morning.

I find this fascinating and I'd like to get deeper into the weeds, which means you have to take this offline, but I have a specific question for Patrick, and then I would ask the other companies to get with my advisors as well, because I'm interested in --you peaked my interest when you said that you had a person that worked with these large units, these buildings and large units.

So my question would be -- and Nicor, ComEd, and Ameren -- who is that person, and I'm looking at it from a business sense. I'm looking at your business model. How does that position get intertwined in your business? That's number one.

Number two, I want to ask how is that position incentivized in your business? How is that position evaluated? And so we'll do this later, but if it's a unit of 50 units in housing developments or 50 residential housing, residential homes, is that evaluated the same?

So the question that I would like to ask each of you later on when you get with policy folks to get those answers, I really want -- I really want to understand the business model and how that works, and that's what I miss. You peaked my interest and appreciate your help.

CHAIRMAN SHEAHAN: Thank you.

Please join me in thanking the panelists and our moderator.

(Applause.)

Why don't we take a very short break here. We'll come back at 11:35 and begin the next panel.

(Whereupon, a break was taken.)

Why don't we go ahead and get started. If I could ask the folks to take a seat and we'll get going.

Panel 3 will focus on an owner and developer's perspective on the barriers of affordable housing programs and explore any technical solutions to those barriers.

To lead the discussion, please join me in welcoming Anastasia Palivos. Anastasia is also my legal and policy advisor. I would also ask folks to give a warm welcome to Audra Hamernik, who is the brand new executive director of IHDA and was a colleague classmate of mine and a dear friend, so thank you.

(Applause.)

MS. PALIVOS: Thank you for that nice introduction, Chairman.

As the Chairman said, my name is Anastasia, and I'll be your moderator for Panel 3. Panel 3 will discuss barriers to affordable housing programs and explore technical solutions from the building owner's perspective. The format of this panel will consist of questions presented by myself with the opportunity to hear from each of our panelist and the opportunity for the panelist to respond to each other.

If time remains at the end, we will

take questions from the audience. Before we begin the discussion, I will briefly introduce our panelists. We will be hearing from Audra Hamernik, Executive Director of the Illinois Housing Development Authority; John Brauc, President of Checkmate Realty; Michael Burton, Asset Management Director at Bickerdike; Andrew Greer, Vice President and Market Leader at Enterprise Community Partners.

Please join me in welcoming our panelists today.

(Applause.)

To commence our discussion, I would like to ask the panelists first what influences or decisions to pursue energy efficiency and who are the decision-makers? We can go down the line.

MS. HAMERNIK: Sure. So the Illinois Housing Development Authority, we are the state finance -- state finance authority and we were created in 1967 to support affordable housing developments in Illinois.

Just a quick background, we have invested 8.2 billion in multifamily worked around

130,000 units, and in the single-family size we have about a hundred thousand single-family homes in our portfolio. So we are touching a lot of affordable houses in Illinois.

To your question, who sets that policy, which I think it's joint. I think as a lender we are more than assets. We are well connected and well financed and running smoothly, because we want to help people in Illinois to remain where they live.

On the other hand, we have owners who have the same goals, the exact same goals. Some of the owners are people that are in our portfolio and we are finance lenders, and then there are other people that are at the table that are providers of housing or affordable housing that they just happen to be without our regulatory cash, so I think the policy is kind of driven by all of us having the exact same goals.

MR GREER: Again, good afternoon. Andrew Greer with Enterprise Community Partners, and Enterprise we are a national non-profit intermediary that has a

Chicago office. We have ten market offices throughout the nation and we have deployed in our 30 year history about 18.6 billion to create 340,000 affordable homes throughout the nation.

What we find is -- so we played more of an intermediary role in this in working with owners and operators of affordable housing, and what we do find is what Audra indicates is that we do have a lot of overlap of the mission.

In the State of Illinois, about 27 percent of renters pay more than 50 percent of their income for rent and utility costs, so their housing cost is more than 50 percent. That doesn't leave much room for anything, other than just paying, you know, life necessities, so people are forced to have decisions around paying utility bills, as well as thinking about food, and health, and wellness.

So as we look at it, we are -- you know, our -- the owners we work with are very motivated to try to reduce that rent burden, and dealing with energy affordability is a key aspect of that, so the decision-makers are usually driven by the owner operators, whether it's a group like Bickerdike or John Brauc who's private owners. We are all incented, because we are -- you know, we are trying to try to provide good safety and affordable housing, but we're also trying to deal with stability, keeping renders in our home and making sure that they're secure.

MR. BURTON: I'm Michael Burton from Bickerdike Redevelopment Corporation. We are a not-for-profit that --

CHAIRMAN SHEAHAN: Michael, hit the button on your microphone.

MR. BURTON: Okay. Is that better?

My name is Michael Burton. I'm with Bickerdike Redevelopment Corporation. We are a not-for-profit. We started in 1967 in West Town, Oak Park, and Logan Square. We have developed and managed over a thousand affordable units, rental units.

I would like to thank Chairman Sheahan and the Commissioners for convening this. It's a topic that's very near and dear to my community's heart and I also would like to stress a special thank you to Commissioner del Valle for his support of our work over the years and our partnership for a long, long time.

So for us, we come at it I think from a number of vantage points. We are an owner. We are a developer. We are a also community-based not-for-profit that really has a close connection to the grassroots to the people in our buildings.

So when you ask that question for me, it's from all over. I'm concerned about the efficiency and the ongoing operation of our buildings. I'm concerned about the residents and that they will have a stable, affordable place to live, and that's not a given these days.

You know, incomes have been very flat. A typical household in our -- we provide family housing, mostly two, three and four bedroom apartments. Their household income is $20,000 a year typically and it's often a mom with, you know, a single head of the household with a couple kids and, you know, the stability they have in maintaining their housing is just sort of perilous. We look at any way we can just to stabilize their situation and providing more comforts and more efficiency, less bill payment is huge.

Looking at the more global level of our properties and sort of how they operate, most of our portfolio was developed more than 15 years ago, so we are seeing end-of-life span in a lot of our systems, so, you know, how do you decide when to do a green retrofit. First you look to see if you have the money for it.

Second, if you need it, you know, all of a sudden your furnace is out and you need to do something. We'll get more into sort of the solutions to that, but for us I think it really is holistic and thinking about things from the owner, from the developer, and from the resident's standpoint.

MR. BRAUC: I'm John Brauc from Checkmate Realty. I think it's changed over time. When we first got into it, it was more of an acquisition standpoint with the financing part. We really didn't think about it at all, but as time has gone on, I have become a true believer, because it's really helped us to manage our air conditioning from air sealing to roofing installation, things of that nature.

Most of our retrofits are on acquisition, or rehab, or refy, when we find we can afford it, otherwise, it's hard to put it in play in the middle of that without acquisition or rehab, or funding a portion of it.

Lately though, we have acquired a 136-unit apartment complex that really needed a lot of work and we weren't able to get any of the energy efficiency work financed, so we wound up coming out of pocket just because the way the policy is right now and things going on. That's when I became a believer of it, until we spent X-money out of pocket to make sure we can actually do it. I think it's become a major part of our portfolio, and our first building was energy efficient and retrofit.

I was president of the Rogers Park Builders Group for multiple years and we preached to other multifamily owners for years to try to bring them on board. I think it's really all hitting all the groups in the city and really get more multifamily owners involved, because I see the benefits. I think they're really out there. Thank you.

CHAIRMAN SHEAHAN: Can I ask a quick question. On the topic of kind of a fractured nature of the policy making and coordination, are there things that the state can and should be doing that they're not and who would be the appropriate -- or what would be the appropriate entity to sort of lead that?

MR. BURTON: I'll jump in on that one. I think from the developer's standpoint, I think you get it three times, you know, when you are developing this thing, can I make it energy efficient, when an operator can I make it energy efficient or when I'm refinancing can I make it energy efficient.

If you sort of think about how can the state coordinate that, obviously, DCEO on the up-front development part and you know, just thinking about some of our -- at the development stage our projects, often you are coordinating, sometimes it does in the resources, because if there's any way that -- maybe in IHDA it's always in these projects, if there's some way that DCEO and IHDA could facilitate things a little closer.

I know there's some statutory challenges perhaps in that, but maybe things such as not having to have a separate inspector for DCEO, maybe an inspector could sign off instead of having a third-party inspector from the DCEO for upgrades, so that's one thing that comes to mind.

MS. HAMERNIK: We are having that conversation by the way.

MR. BURTON: Great. Fantastic.

MR. GREER: I would just add, too, that relative to, you know, thinking about financing, we still tend to think about different pools of funds or different allocations of funds, and I think that we are leaving a lot of potential leverage of private investment into energy efficiency programs, because we're not coordinated from sort of a capital structure, so we have to go -- you would have to go to DCEO or you would go to the Energy Savers Program and they're not all working together and coordinated in that, and I think that there's some potential. Because of the demand for these types of retrofits, we can work collectively to sort of coordinate and leverage these types of resources. I think we can get private investment also to follow into that.

MS. HAMERNIK: One other comment on this. I think it's fair to say partners, DCEO, and then also Energy Enterprises they're working with us, but during a project's life, there's several touch points that energy comes into play. It's kind of hard to get in the system.

So if you are applying for new projects and you are thinking about refy, you are absolutely right. You have that in your qualified action plan. If you are coming back for a refy, of course, you can have that touch point and try to include energy efficiency funds and product.

Also, our asset management group is monitoring high utility users right now, and Elevate

Energy they're looking to those groups to elevate and elevate to them to try to help overseeing the older project that need energy help. So there are a couple of different points in our process examination. I'm sure there's others.

MS. PALIVOS: Thank you for your responses.

My next question to you all is what barriers have you seen that made it difficult to implement an energy efficiency building?

MR. BRAUC: Capital.

(Laughter.)

Plain and simple. I was just talking about this last project. I mean, we took this project on. I didn't fund it. It was funded by somebody else, and, you know, right now resources have kind of dried up, so to go to energy efficiency, we have to come out of pocket, which is fine, but I understand the pay back, so I was more than willing to do the project, and do those at the same time, I could see a lot of other potential owners that don't understand it who are not going to come out of pocket because they don't get it, so I think funding is a big part of it.

MR. BURTON: I think government-assisted affordable housing, you know, we don't have the pocket to often dig into like our colleagues in the markets do, you know, especially when you look at we are restricted on our rents.

On the income side, there's not much you can do. On the expense side, I don't think anyone ever projected that you would be seeing the tax increases or the insurance cost increases we are seeing.

So what happens is a project can still be doing okay, but it's probably not putting the money in the reserves for this very thing, and it's been fantastic having an intermediary like Elevate who will then, you know, help you figure out what are the things that are going to be high impact retrofits you can do and then also help us get financing to do that, and I think having intermediaries like that for us has really been a life saver.

MR GREER: I would add, too, that relative to the^ dot capital discussion, it's not just about, you know, sort of having capital up front, it's understanding a little bit more of the pay-back period, you know, as the ratepayer programs are very focused in on that first year cost-effectiveness standard, but a developer/owner is looking at a pay back that might be three to five, maybe even seven years down the road, so there's a mismatch I think in the capital markets between sort of what the expectations of the owners are around the duration of the capital, and the patience of the capital and many of our ratepayer programs that are out there right now, so I think that's a big issue.

I also think that just capacity. We need to continue to build the capacity of organizations to do this type of work. We are working with Elevate. We coordinate what we call "The Enterprise Sustainability Exchange" working with ten non-profit housing development organizations to help build their capacity to own and operate, but, more importantly, to sustain the environmental health and economic benefits of building green and doing energy efficiency.

So we need to continue to support the capacity-building efforts, because I think, as other presentations have talked about this, you know, we have got true believers now, but, you know, I think in that Rogers Park discussion, there's still a lot of people who are very skeptical about the benefits of this, how do you sustain the payments and how do you pay for it. So we need to continue to focus in on that capacity and that effort.

CHAIRMAN SHEAHAN: What sort of specific policies would facilitate the greater capitalization of this?

MS. HAMERNIK: It's back to those touch points. It's when it comes to the cause of that project that makes more sense, so the grant program that DCEO has is helpful. It's just not a lot of cash. I think some of these other barriers. We have systems in place. I think we do have really a robust community. We have a smart architectural design community that gets all this type of work. We have projects in place. We have interest.

So it comes back to your capital

question, and I think getting capital to a project is at those touch points, but I think you had a really good point about a thousand times you would need quick cash, and I think that's what's missing out of our system, because there are times when the furnace goes, you have to do something quick, you only have money for so much, so you cannot do the extra in a traditional household. I think that kind of out that could have a policy potential, but, you know, if we were able to add that as a normal function.

MR. BURTON: I think the biggest challenge is a project that's up and operating, it's been operating. It's really hard to get some sort of tax credit for rehabs. They're just very competitive.

Our last project that we got tax credits for rehab, it took us about four applications and waiting five years and, in the meantime, we have taken other similar projects, and been able to, you know, work through with Elevate, and I think having more resources for those types of programs, for the retrofits that aren't at the rehab or aren't at the development stage.

COMMISSIONER ROSALES: I'm sorry. Do you ever work with others to minimize the capitalization costs? To give you an example of that, I would throw out near Midway Airport and how they soundproof the area. Is that something that comes up often that you could kind of control in terms of your cost?

MR. GREER: I think relative to the overall cost and what we've seen, especially through the Energy Savers Program, and I'm speaking more from a multifamily perspective in this, is that, again, most of the cost is pretty efficient.

We are spending 3500 to maybe $5,000 per unit to get those costs, but I think the contractor quality has improved such that they're sharpening their pencils, because we know from national studies for every million dollars spent on energy efficiency, it creates ten jobs in the local market.

So I think the cost is not as much of a challenge as it is sort of bringing in the different resources and trying to leverage it to cover those costs.

MS. HAMERNIK: In our single-family program, we touched about 4,000 single-family homes and that Chicago Public Bungalow was one of them. There's room for growth.

MS. PALIVOS: Thank you.

I know, Andrew, you mentioned that it's good to improve these capacity projects, but from all your perspectives, what are the most important improvements you need to make to the energy efficiency programs and what would be their impact?

MR. GREER: I think, you know, there's a lot of collaborative tables right now that are in place around energy efficiency. Preservation Compact -- Stacie Young and Preservation Compact has been really focusing in on this issue within Cook County.

So to me, I think continuing to try to do better coordination, so just as DCEOs is working with IHDA to better coordinate about their programs, we need to be better coordinated across direct installs versus the energy efficiency programs, like the Energy Savers.

You know, from a building owner's perspective, it's still a pretty clunky process and it's not very efficient, but we need to continue to grow and improve sort of that coordination, because what I feel most of the building owners want is more than just the direct installs. The true pay backs are going to be in, you know, doing some of the simpler things, too, that may not be covered in direct installs programs. So I think we can do a better job and continue to cross market and cross and coordinate around those types of programs.

MR. BURTON: I think prioritizing some of those hanging fruit that had the real big bang for your buck. I think we have done about over 400 of our older units with the help of Elevate and Enterprise. We have done retrofits, and we typically do air sealing and roof insulations, and, you know, we have seen the savings on energy bills, but we also -- I have tenants who will pull me aside and say thank you so much for that; my unit feels so much better, and I think you can just really see that from the amount that we put in, we just got so much back, not only in, you know, money savings for the project or the tenant who's paying energy bills, but just a high-quality project as well.

MR. BRAUC: I think retrofits have worked out pretty well for the most part and also they're a pretty efficient and really not taking a lot of time. Elevate is doing all the paper work on the other end. I'm trying to run the portfolio, so we are running around I could say chickens without our heads sometimes trying to take care of all the problems that are going on every day, so any help is always wanted.

We continue to work with Elevate. Right now we are installing sensors throughout the buildings, 30 sensors in a 130-unit building, trying to monitor more energy efficiency. So there's one thing of doing it, putting in boilers, putting in the steams pipe, putting in the boiler controls, and then what I found is really monitoring those controls.

If you are not going to the building and physically looking at those controls, you only look at your bill, once you pay your bill, it's too late, then now I have to go back and take a look at what's going on, and so now we start to look at monitoring needs.

What I find is that over time a janitor get calls for heat, and it's a problem, so it's a major problem, but if you don't know until the fact is done right or when nobody's talking much about water, water becomes a major cost for multifamily buildings, and it's tripled in the last year and a half. It's going the way of the gas bill literally.

So it's not only for multifamily but for homeowners, and depending on where you are at, on the north side we are able to spread that cost throughout, but in our low-income family buildings, that's not possible. Our rents are X, and they're not going up any time soon. So where those costs get put, I'm not sure.

So if you are looking to keep

low-income housing affordable, I think these are things you need to step in and look at, because at a certain point nobody is going to want to enter, because it doesn't make any sense. I'm here for profit, everybody is, because everybody needs a job to make money, feed their families. It's an important aspect.

MS. HAMERNIK: I couldn't agree with Michael more. I think that we need consistent, easy understood guidelines on where we get our biggest buck, and I like your kind of low hanging fruit.

As any owner, when you want to invest your funds where you get the biggest energy savings and biggest benefit, so I think we have to be consistent with the platform on that.

MR. GREER: I think part of our goal, too, with the Enterprise Sustainability Exchange is once you address those issues, then what do you do to sustain them.

So I think, again, there still needs to be a lot of education, because the property management has different incentives than the building owner sometimes, you know, they're responding to a request from a renter and they're trying to deal with their comfort, but at the same time what we're trying to do through the Sustainability Exchange is sort of change the culture of the way people and building owners think about managing their properties for on a longer term basis so that those benefits are sustained over a longer period of time.

And, you know, I think we are just starting to scratch the surface, but, you know, we are working with ten non-profit community development corporations, and I would venture to say there would be a lot in the private market that could use sort this type of capacity building assistance.

MR. BURTON: I think residential assistance is really important on this. It is something that we have always expressed in our work. It's really a challenge especially for lower-income families.

The last thing they need is somebody telling them what to do or one more thing to think about, you know, and we have been working with Enterprise and two other groups doing some pilot projects, focus groups, residents and seeing again, what are the real things that will make a difference and how do we get them not to open a window in the wintertime; instead of turning up the heat, how about putting on a sweater. Are there simple things we can do that will make a difference? And I think you really have to think about the resident engagement side of this, too.

COMMISSIONER MAYE EDWARDS: Anastasia, can I ask a question.

MS. PALIVOS: Sure.

COMMISSIONER MAYE EDWARDS: I understand that the lack of access to affordable housing is a significant and very real issue that we are placing as it relates to energy efficiency. I know the Chicago Housing Authority has I believe as of July of 2015 a plan. They said that they were going to be proposing a strategic plan to deal with this issue, and I'm curious to know if there's any collaboration or kind of inter-relate-ability going on there? Are you guys working together?

I know the slide that Anne Evens showed when she first spoke this morning showed a portion of the lower-income residents of Illinois, and, obviously, the bulk of that is in the City of Chicago.

So I'm wondering if any of you are collaborating with the Chicago Housing Authority, and, coincidentally, the new Chair of the Chicago Housing Authority is a former Commonwealth executive -- Commonwealth Edison executive -- excuse me.

So I think that that right there -- at least we know the institutional knowledge of understanding is due to the issue is at least there, so I was wondering if you have worked with them at all.

MS. HAMERNIK: We just talked last week.

MR. GREER: In my experience with working with the Chicago Housing Authority, previously as a developer and now as more of a financial intermediary, they have been very aggressive in their portfolio -- their own portfolio about bringing in and making sure they're doing energy efficiency. They're able to, because of their size and scale, start to look at issues of using ESCOs, energy service companies, to try to deal with larger portfolios, but so many in the public housing communities don't have that ability of scale, so there's still sort of a whole bunch of public housing authorities throughout the State of Illinois that are not able to or struggling with some of those energy retrofit issues.

MS. PALIVOS: Thank you, Commissioner Edwards.

And my last question is that given that many of you have mentioned the importance of better coordination and implementing future guidelines going forward, what are the collaborative efforts that you think the utilities, program providers, and other stakeholders can take together to improve these programs and the way they are implemented?

MS. HAMERNIK: Well, again, we have been talking to DCEO about the idea of -- they have an application for Affordable Housing projects as we do, the ways we can have people apply these factors. Again, we are at the very, very beginning conversations about that to see if that makes sense. Are we asking -- do we have the same information on both of our applications? So some of those coordinations we are trying to have happen early on and elevate our asset management side. I think we did a great job trying to coordinate with them and with their property owner. We have a good system that's in place. We have asset managers. We have a monitoring lights system there. So to piggyback on that, that brings a lot of -- we are actually getting the right people to the right person at the property owner, and that's difficult sometimes.

MR. BRAUC: I would say that the state of funding coming out. I think after three or fours years of really kind of pushing it and working with it, it's kind of start to dry out so that I think, guys or gals, the business is going it's moved on, so let's just focus on somewhere else, so I think it's a continuous effort on pushing it forward from the projects that are coming up, I would say, because it's been pretty easy. It's been very -- by the way, they have rolled out leads, so we have done multifamily retrofits on all of our buildings, so they're out there in the common areas.

I'm not sure about internally the units themselves, but I would say definitely common areas, so that we know what's coming out, because for the last year, as far as roofing insulation, we don't know what was coming out.

So when I purchased a 36-unit building and they were going to give I think about $85,000 for a $25,000 job easily. Okay. So we waited. Okay. Next year maybe we will get something a little more affordable. Well, then it got to me more, so I went ahead and did the project on my own. I wanted to get more before the next winter hits.

So there's an inconsistency of what's moving forward in the program, and nobody what's coming out, and so you can't move forward.

MR. BURTON: I think the capital is really important. I think, you know, there is a good network in the state right now for moving this stuff, and I think that utilities should feel good that it's being used efficiently and that there's a very high need. I think the pay back and the benefits are huge for our low-income communities. I think it's a great thing to be putting more into it.

MR. GREER: With regards to the overall capital discussion, I think there is a need just again to have broader discussions with diverse stakeholders coming to the table, so IHDA Enterprise. We were working potentially a smaller retrofit program before the budget crises, and, you know, we need to continue those discussions, because I think, in addition to the ratepayer dollars that are available, there is a lot of other capital that needs to be sort of coordinated, harnessed.

For us to really go to scale, I think we have to be able to deal with that issue of the flow of capital, make sure it's consistent and it's priced appropriately and leveraged with public and private resources.

So I think there's a need for more coordinating discussions around the capital side of this in addition to sort of some of the work that's already going around building capacity of owners willing to deal with this.

MS. PALIVOS: Thank you very much.

I think we have some additional questions from the audience, or Chairman, or Commissioners. Do you have any questions?

CHAIRMAN SHEAHAN: Andrew, can you speak just a minute on what -- you know, so capital is an issue, and, John, you mentioned it. You are interested in an increase in capital.

What's the source of funds? What's the flow for repayment of that kind of debt? Can you explain that to us? And if there were a government solution, is there sort of -- can you aggregate all of this into a revenue bond. Sort of thinking out of the box a bit, what's the -- how would you fix it, if you could?

MR GREER: I think you can build off of, you know, the Energy Saver's Program model here, too. What's -- John knows this. It's a 3 percent interest rate --

MR. BRAUC: Yes.
MR. GREER: Usually adding seven --
MR. BRAUC: Seven years.
MR. GREER: -- seven year term and maybe go out a little bit longer on that, a 10-year amortization, and I think you would say you could deal with that on almost any of your properties all day long, right?
MR. BRAUC: Sure. It's possible.
MR. GREER: So, you know, and what Enterprise does and what IHDA does is we sort of work together with a lot of different stakeholders in the industry to try to figure out how to blend that capital to get that right type of return, but I think you have got a very strong model, like the Energy Saver's Program. It's going to be little bit more challenging for a lot of the affordable or the subsidized housing stock to be able to take on that, but, you know, it's about I think creating more patient capital that can meet sort of economic returns, but what we are seeing is these retrofits are paying for themselves within five to seven

years.

I don't know how you view that.

MS. HAMERNIK: I think that makes a lot of sense.

MR. GREER: I think we have seen them in ACEEE, probably might have some examples, too, where we have seen other state HFAs that have really no -- again, to sort to put in resources, put resources on the table to try to do that and leverage other private resources, the Fannie Mae product that was mentioned earlier in the presentation, too, so there's a lot of capital that is starting to be discussed around energy efficiency and as well as also starting to think more and more about renewables, so there's a lot of capital in the energy space that needs to be harnessed I think.

MS. HAMERNIK: If there was a product that could be brought in acquisition on behalf of building or adding new construction, it is something we could do later at IHDA. There's systems in place and monitoring their systems and, you know, managing funds, and receiving those funds, and paying back, so we can do that.

The other thing I do like about this idea is a lot of our loan products are geared towards people with less than 60 percent of median income, so low-income people. There's certainly people, 61 percent, probably 120, that arguably are having just as much trouble and considerable income having utility cost issues, so this type of program can fit those folks as well. It's not just the low-income.

MS. PALIVOS: Thank you to all of our panelists for providing such thoughtful responses.

We will now break for lunch and resume the session at 1:15, 1:25. Please give them a round of applause.

(Applause.)

CHAIRMAN SHEAHAN: Can we ask folks to have a seat and we'll get started with our last panel of the day. Welcome back. I hope everyone had a pleasant lunch.

This afternoon's panel is intended to explore property -- assess the energy or Pace On-Bill Financing and other potential avenues for expanding access to financing for energy efficiency programs in the affordable multifamily sector.

To lead this discussion, I'm pleased to introduce Suzanne Stelmasek, Senior Policy Analyst at Elevate Energy, and Suzanne was a legal policy advisor for me when I first started, so thank you. She kind of helped my seat and handle bars before the training wheels came off. It's my pleasure to introduce Suzanne.

(Applause.)

MS. STELMASEK: Thank you, Chairman, and it's nice to see how you have grown up in the world. Seems like things are going well. Thank you so much for having me and for having the panel. Thank you to the rest of the Commissioners for taking the time to be here today and take part in this important discussion. It means a lot to us that you guys are so engaged. Also, thanks to everyone in the audience for coming back from lunch. It's nice to see so many of you return for our last panel of the day. I believe it will be very casual.

We will just have a recap of all the

discussions that we had through the day. I look very much forward to it.

As you can tell from all the previous panel discussions today, the affordable sector is really large. It's a diverse market. We heard from utilities about all the great work that they have done so far to reach this market, but it's clear that there's no one-size-fits-all approach.

You know, we have all heard from the developers about their great need for accessing capital, which is really a perfect segue into what we are going to talk about with this panel.

Subsidies can take many different forms and our goal should be to develop and access financing solutions to address each aspect of the affordable housing sector which brings us to the experts that we have assembled for our panelists today.

Let me introduce each of our panelists and then give them 10 to 15 minutes to share with you their expertise and their knowledge on various aspects and financing mechanisms that they work on and then we'll move on to Q and A.

First, we have Stacey Young, Director of The Preservation Compact Community Investment Corporation. We have Tony Smith, Senior Vice President and Community Development Market Manager at PNC. We have Art Rendak, President of Inland Mortgage Capital; and Chris Meister, Executive Director, Illinois Finance Authority, and we'll proceed in the order that everyone is seated.

Thanks for being so organized. And, Stacie, I will hand it over to you to give us an overview of on-line financing.

MS. YOUNG: Thank you, Suzanne. Thanks again for everyone coming after lunch. I feel like I should have brought a bag of candy for everybody to keep everyone on their toes here.

So, as Suzanne said, I work for Community Investment Corporation. CIC is a non-profit lender, working with the community development financing institutions. We have been around since 1984. We make loans for acquisitions and rehab of multifamily buildings for typically low to moderate income.

Since 1984, we got started. We financed about 1.2 billion in rehab, the last rehab 55,000 units, and that's 2000 loans. And when I talk about the kind of loans that CIC makes, these are actually mostly unsubsidized affordable rental buildings. We have -- you know, I have seen a lot of power points about -- I'll get a little bit more into it later, but affordable doesn't necessarily mean subsidized or even public government assistance.

So as everyone knows by now there's a strong relationship between keeping rental housing affordable and doing energy retrofit. This is a very important relationship.

I'm going to talk for a minute about the Energy Saver's Program referenced a lot and I want to give a little bit more detail.

The program was started back in 2008. The McArthur Foundation brought a lot of stakeholders together, government, non-profit developers, for-profit developers, tenant groups, to figure out we have a very important affordable rental property and how do we keep it in good condition. We are calling it affordable rental housing authority, and, of course, and a number of issues are identified, and the Preservation Compact is a policy collaborative with a lot of stakeholders involved. I work on a lot of those issues, and energy is right there at the top of the list.

The owners knew how important energy retrofits were, but they identified two important gaps leading to discussion a long time ago. One was information. They knew that their building probably needed retrofitting. They didn't know what needed to be done. They didn't know how much money that would save them.

The other gap is financing, as the last panel said, and unless you incorporate these retrofit measures into a big recapitalization, there's really not an opportunity. The private market isn't there to finance just a little retrofit, if you want to do five years after you do this big capitalization, and so Energy Savers was created to address those two gaps, and, again, I'll get into some more detail in a little while,

But I will tell you the result of Energy Savers, one is 57,000 units assessed; 25,000 of those 57,000 have been retrofitted, and of those CIC has financed 7,000, so about $14 million in financing from CIC to finance those units, and, again, this program is pretty, you know, straightforward.

Just to put those numbers together, the average per unit cost for retrofit is $3,000. Energy savings is typically 25 to 30 percent, which is pretty significant, and, again, just to give you a quick idea of what that means on a 24-unit building, that building would save $10,000 a year, which means that they can use that money to insure that they don't have to raise rent and that they can maintain their building in a responsible way.

So it's administered. Elevate does these assessments. They make sure they're holding the owner's hand. They lend them to other energy benefits and incentives from utilities and other places. If the owners have other needs, they will tend to those needs as well. As far as construction oversight, they have a pool of responsible developers, responsible contractors.

The owners don't necessarily understand this work. They don't know who to go to, and so the contractors -- it's nice to have a pool of contractors that they can tap into.

At CIC we have our own, of course, 30 years of expertise in financing, but also we know these owners. We know these unsubsidized owners who's out in the neighborhoods and, in fact, 70 percent of the affordable rental stock is unsubsidized. These are ma and pa owners. They're classic small business people, so they're in conflict because they need the appropriate information, so they need help. They need a lot of hand-holding, and CIC is a great link to those owners to try to help them understand what resources are available to them.

So George Malek earlier was talking about the rental stock, and he makes a great point, which is when we think about rental stock, we might have some picture in our mind. Those large rental buildings that maybe come to mind, that's not a big percentage of the stock. Most of the stock are these brick walk-ups in the City of Chicago, not outside. They're in the suburbs. There's certainly -- there's more suburban-like developments that have more units and bigger buildings, but a lot of the stock is in 5 to 49-unit buildings, less than a hundred units, and so there's lot of little buildings and little owners to go after, and, again, CIC has those relationships. So, as a result, Energy Savers has been a great tool.

The idea what we are financing, we're not able to guarantee it, but the idea is that we are structuring a loan so that an owner's savings on their energy bill can cover the debts; so, in other words, they're paying the same amount every month out after they take out this money, after they finance their retrofit, so they're saving some money on their bill and then hopefully they're paying less than that to service their debt on the financing that they needed to finance the retrofit.

So our financing is low cost. It's 3 percent money. I think this came up last time. We can go up to 90 percent loan to value, and they're structured as second mortgages, so we have got this nice little program and we have a lot of partners.

Since 2011, we have convened a working group. We have a lot of people, because we always want to figure out ways to get more resources for affordable rental for programs, and we realize that, you know, Energy Savers is a great program, but we need to expand our choices. We need to have more choices for people, and identified on-bill financing as a great resource that was already on the books for single families in the State of Illinois.

So Andy Geer, who was on the last panel with Enterprise, was super helpful in taking the lead in expanding the legislation in Springfield for on-line financing to also include multifamily. This is a lovely thing, because some of the owners of buildings couldn't come to get our financing because they couldn't take a second lien on their property. Some first lenders won't allow that.

On-line financing, there's no liens against the property. On-line financing you pay your loan back on your energy bill, and so you can treat it as an operating expense, so it's a great resource for those owners who can't make a second payment.

So CIC closely work with AIC First, and because CIC has experience with multi and AIC First, so we are administering the multifamily on-bill financing program in the metropolitan area for buildings that have retrofit loans exceeding $20,000, and the whole multifamily program is limited to buildings with less than 50 units is a significant limitation in Illinois, but how we got the legislation passed, and we are happy with it, but that's the way that CIC administers, and if a loan is over $20,000, we administer.

So what's the market for on-bill and why is it different from our regular Energy Saver? Because of the second thing, so you can treat it as an operating cost.

Now since last spring -- we just started this program last spring, so it's less than a year old and we financed $427,000 and 163 units with the on-bill financing as a resource. About half of that is in Nicor's territory, that's Peoples' territory, and, by the way, kudos to our utility partner friends for increasing their pot of the money for on-bill financing. That's very important, again, financing. Obviously, it's an important resource and the on-bill is a tool and very important, and some suggestions of how we can do a little bit better and make that program a little bit better, but, again, it's wonderful that the utilities are really helping us try to get that program moving. It's still a work in progress, but it's wonderful. We can offer two retrofit programs in the metropolitan area for financing retrofits.

So here I'm going to say, as Suzanne said, you know, in the last panel, we talked about lack of capital, and, again, I'm talking about how there are resources for capital. There is capital available, and I think that -- I think that one of of the issues here, and I hope we can get into it more later, is communication and coordination, and I think that if our programs are financing programs, and we talked about this already, but we are really hoping to have some substantial coordination opportunities moving into the future.

So I would be happy to talk more about any of these programs, if you have questions, but, again, you know, the fact that these programs are pretty -- Energy Savers is very flexible, very easy to use, free information for your property. On-bill you don't have to put a second lien against the property. It can be treated as an operating cost. There's fewer -- there are fewer improvements you can do under on-bill for different reasons that we could probably try to expand a little bit, but aside from that, you know, those are the two big tools on On-Bill, again, a recent addition to our toolbox but an important one.

MS. STELMASEK: Thank you, Stacie.

Do the Commissioners have any

clarifying questions that I think now is a great time to ask Stacie before we move on.

(No response.)

If not, Tony, let's hear from you.

MR. SMITH: Well, thank you. I'm Tony Smith. I manage Community Development investing for PNC Bank for accounts in Illinois, northwestern Indiana and Missouri, and in that capacity I like to tell folks we are a balancing act.

When the bank makes a billion dollars in investments for loans in a low-to-moderate income community, my goal is to look at that portfolio and to make sure that we're appropriately represented in low-and-moderate income neighborhoods.

What we do on the other side of the bank, which I call the dark side, what we have to do on our side that would include all traditional low-to-moderate income housing community benefit-type activities.

When I was asked to do this, I quickly picked up the phone and called some of my peers. I would share with you that I'd probably spend another

25 years at other banks I won't name in the room today. But suffice it to say, the responses I got back were not surprising, and I'll share with you both what we're doing and what I have seen in other areas.

Financing and energy efficiency in general is rarely a banking activity in isolation. Banking again is based on not only of what's happening from PNC but what is happening to others.

We generally consider energy savings in the context of the overall cash flow impact that it has on the potential borrower or investor; thus, energy savings is often considered an additive to to cash flow and, therefore, could create additional borrowing capacity, but it's important to note that it's rarely ever viewed as an idea unto itself conjecturally.

As such, few vendors typically express or advertise a standalone energy efficiency intermediate pilot, but such loans are being made and these take a number of traditional forms, such as an equipment lending, or leases, or real estate improvements, typical tax credit modernization, condo association loans or loan investments in an intermediary, like community investment or IFF, CHS, Capital Community Loan Fund, to name a few, and each of these tend to have more explicit energy efficiency programming.

Further, we acknowledge that our CIC-type partners oftentimes are more effective at navigating the small borrower universe and, therefore, more effective at getting energy efficiency owners into the hand of the small business that use them.

There is, however, a unique challenge when contemplating energy efficiency projects, and this was a surprise to me, and I would tell you it's not capacity or access to capital but rather a willingness to undertake borrowings. More specifically, that is and quick, to be fair, limited survey of property owners we heard a recurrent theme of special assessment fatigue.

During the last decade, many local properties have forced me to undertake capital projects to comply with costly fire and safety codes, elevator obsolescence, roof repairs, tuckpointing, window operations, AC, and safety issues, but those can have energy impacts, and absolutely they do.

What we are finding is, as Stacie pointed out, most of the affordable housing in our market isn't necessarily obligated under a rehab or other rental control obligation and, therefore, I would like to call it the organically affordable -- and you had a better term or --

MS. YOUNG: Naturally occurring.

MR. SMITH: -- naturally occurring housing out there.

We don't want to unintentionally discourage or exclude that universe of property owners when we're contemplating energy efficiency. So in talking to this universe of investors and owners, it became very clear that the cost of these prior investments or improvements has translated into increases, sometimes some multi-special assessments, which, in turn, have made those buildings more vulnerable to slow sales and/or value losses, not to mention some unhappy owners.

That value loss is incrementally more intense in low-income neighborhoods where you oftentimes see high levels of continuing unemployment which translates into high vacancies in collection offices.

When I go to appraise those particular properties, they don't demonstrate adequate value to support incremental debt of any kind, and, therefore, these properties become more reliant on tax credits or grants, which in this environment are intensely competitive and oftentimes impossible to get for smaller property owners, and this is a large universe of folks who may own 5 to 6, 2 to four unit properties. They don't generally have access to either the information or access to the traditional sources for some of those grants, and/or tax credits, and, therefore, there's a substantial portion I think of the housing stock that is not participating in the energy efficiency opportunities that are out there.

Of course, all of this is difficult to untangle from a more global impact over a prolong recession and uneven one that is bringing disproportionately reliance in the low-income community, but, to be clear, the low-to-moderate income community where property values remain a stressor also often ill-prepared to address the added debt, and we have to come up with a ways to create more inclusive and expansive way to bring them into the process.

Another area -- areas of opportunity, you know, neighborhood of opportunities where we continue to invest our grant and other monies will impact the rate at which we're able to get some of our buildings into a more energy efficiency state. It's complex, perhaps in some neighborhood amenable, but this is the environment that we are operating in.

Regarding the energy tax credits lending and investing is still a developing science, not everyone, and particularly more exposed to the banks, are full participants in the process, yet, they're still lending, and we had a couple of examples that may have been discussed earlier in the day obviously at PNC we have the 1-to-4 unit rehab program, and there I would share with you that to make that program happen, it took some engineering to be sure.

More explicitly, PNC and the McArthur Foundation stepped up and made a commitment to provide a $5 million pool to provide second mortgages that were permitted up to a 120 percent loan value. Now most banks want to stop at about 90, maybe 95; on the commercial front usually 75 to 85.   We were willing to go up to 120 percent, and we did this because we recognized that we are still operating in an environment where properties in low-income neighborhoods in particular are separate from what we call a "valuation compression" and that is at cap rates, and these property it's not unusual to see them at 12 percent plus. That's on top of 10 to 15 percent vacancies and collection losses.

So it makes it very difficult for

those properties to break out and if you are not willing to go above the traditional loan value, you are never going to be able to afford the cost of the improvements needed to make those buildings energy efficient.

At the same time, we convinced ourselves after a lot of terrific work by our partners at CIC and NHS, that the cash flow was there and that there was rental income to support it. We just didn't have the values.

Another example would be on what we did at The Hispanic Housing Affordable Community energy efficiency, essentially created an energy company owned a complex array of solar panels, geothermals and some other elements, and we essentially modified the tax credit code. We didn't look at that in isolation. We continued to look at this in the context of how the Hispanic housing was performing as an entity and was so comfortable that we were willing to approve the risk, that the risk was appropriate in our regulated environment.

I would, otherwise, share with you on

the tax credit transaction, we, as a bank, are aggressive and active in this market, but, for the most part, we're largely focused on what you would call the large utility scale transactions.

In fact, the last one we did was over a hundred million dollars, but why is that relevant? It's relevant because some of these projects are specifically designed to address the needs of affordable housing communities.

So I would give you the example of a project that was essentially designed to convert methane gas into heat and energy and that heat and energy in turn was used to fuel the community and, therefore, gave them access to a lower cost energy source at a time where the energy entity assigned to that region really couldn't validate the cost of funding all the infrastructure needed to adequately support that town.

We recognize that these are important steps that we have to do to make sure that we are addressing not only our urban residents but also our rural residents as well.

I am a chatty-kathy, so on that note, I will turn it back to Suzanne.

MS. STELMASEK: Any clarifying questions from the Commissioners?

(No response.)

Art.

MR. RENDAK: Hi, I'm Art Rendak with Inland Green Capital. My company is owned by the Inland Group Company in Oak Brook. Some of you may have shopped in the suburbs or either in the city and seen our signs where we are discussing the retail business and actually in the multifamily we are pretty active but also own a finance company, which I oversee, and we're involved in -- Inland Green Capital is involved in financing, buying paper, buying financing, effectively something called "Pace."

I was just in Las Vegas, so one thing -- I just flew in very, very late last night. One thing I left in Vegas was a little bit of energy, but I'm energized by the panel that was before me who talked about the fact that one of the biggest stumbling blocks is access to capital.

Pace is the acronym for Property Assessed Clean Energy, and what it is is a financing vehicle through an assessment on the property. It was borne out of the stimulus program advocated by President Obama. It worked its way from 2008, whenever that was, to where it is today and it's become sort of a -- because it's an assessment on a property has a public component to it, but it's almost universally implemented by private companies, so it's a unique sort of partnership, and the beauty of it is it's net to zero to the municipalities or counties who issue the paper under their jurisdictions, so it's a hundred percent financing.

There's two components of Pace, so it's important to segregate those because they are unique and have different challenges. The residential Pace is for properties that are one-to-four units; for residences, obviously, and then there's commercial Pace, so in the industry we have those two Pace.

Commercial Pace is everything that is not residential Pace, so not only affordable housing or any other multifamily products but industrial offices, you know, hotels. It could be retail, golf courses, churches, any kind of property type that is not residential, and Pace is viable, and 31 states have passed Pace legislation.

Unfortunately, our state they did pass something. It's sort of an ineffective bill. I don't know, maybe Chris will talk more about it, but there's a Senate Bill 116 that's making its way through the system. Hopefully it's a bill that will allow for an effective Pace program as the State of Illinois, and it's just -- you know, I'm not a legislative guy. I'm a finance guy giving you what I think from a layman's perspective.

Our state has home rule, so there could be some other issues here that are unique to our state or states that have home rule, but typically states have legislation and the local districts would form perhaps something called "The Green District," and that Green District would opt in on state legislation and then they can implement financing in that district and the financing that is structured.

Again, it's a lien on the property in the form of an assessment. The lien is pari passu with the Dred-Warren Tax, so that usually the assessor bills it. It doesn't always work that way in the rest of the state, but that's typically the way it's done.

The financing is a hundred percent for qualifying energy improvements. The term is the useful life of the product. So if it's an HVAC system, it's more than likely it's 20 years. Solar today with the techniques and the technology is pretty much a 25-year product. Most of the financing is limited to 20 years. It's a fully amortized 20 years structure and it runs with the property.

So for the two gentlemen here that were on Panel 3, for those of you who were here, that would give them -- they would have the right in theory to transfer that lien to the next owner if they ever sold their property. So the hundred percent financing, which I think is obviously a tremendous structure, long-term repayment structure, is a great product and it's unfortunately not implemented enough in the United States to where it should be, but it's getting there.

The conference that I was just at in Las Vegas, which was on a variety of topics, related to energy financing. Pace is the tips of a lot of peoples' tongues.

The residential Pace world, just to give you a perspective, Illinois is not contemplating a residential Pace program. I can talk about that later, because there is some issues, and I don't want to talk about the lender, the lender of Pace -- the mortgage lender and Pace lender relationship, but the commercial Pace is what's being discussed.

So in this case the one-to-four family unit would be contemplated at this present time and I will give you two minutes. Freddie and Fannie don't like the product. It does prime their mortgage, and because of their distaste for it, it's not accepted.

There are only really three states that have residential, California, Florida, and District of Columbia. Some states have passed legislation, but it's not being implemented, but the residential Pace product is 1.1 billion and counting, unbelievable job creator obviously, you know, energy savings.

California is a very high utility-rate state, the solar -- they have more sun than we do, but the solar, if you go in a subdivision and, you know, suburban LA, you'll see a lot more solar panels than you will ever see here, you know, you probably see one, but it's a good product, but it's for another day, and commercial Pace is a start for our state hopefull.

There's a national movement to get FHA a conservatory of Freddie and Fannie to relax their objections, especially since it was a White House-structured program. The White House actually wrote a white paper to help guide underwriting and so, you know, the industry's best practice is to use that white paper, but commercial -- what's happened to -- what best practices in commercial have been is to get the mortgage lender to consent.

If it's an existing mortgage in place at the time of the assessment, the assessment is senior to the mortgage so that is a concern for some lenders, but it's workable and, you know, in California there's been $65 million of commercial Pace, which is endorsed by the President. Almost all the bills have been in Florida and California, so California has been -- it's been through the years really a leader in Pace.

What's happening with the lender is once the mortgage lenders understand it existed, they feel more and more comfortable. It can't be accelerated. It's not a senior mortgage and you are not subordinating anything. It's just gets added to the tax bill, and if they're escrowing, you know, there's things that can be done to sell off the product.

A hundred and seventy-six million of commercial Pace is in the United States. Our neighbor states of Ohio, Minnesota, Wisconsin, Michigan, and Missouri, have all passed Pace legislation and deals are being done in those states.

We just did the first deal in Kentucky. My role and our company is buying the Pace financing, so I think I said that the municipalities and the counties who -- you know, if we had a little more time in here -- public funds are difficult to come by, to staff and implement programs. Private companies that are implementing programs, the issue which is the county where the taxing authority will issue the paper and then Inland Green Capital or our competitors will buy the paper and we'll hold it, you know, keep the paper.

For affordable housing, it's a great product for any property type. It's particularly great for anybody who doesn't have access to capital and can't go to their bank and get a draw of $300,000 capital improvement and perhaps would not use the serrated product because it's more expensive. The higher serrated products -- you know, with Pace they can get the best product. Why do they -- obviously for Pace, hopefully it's -- at least it's a positive to the property owner, the utility savings will exceed the amount of the tax. The tax is fitting, so the lien -- the assessment is fitting.

The theory is the utilities are going up, up, and up and the savings would be exceeding the tax, but we hope that it's not neutral, especially for guy like on the last panel who have a need and it's a problem like my AC system is coughing and what am I going to do to pay for it.

Pace has a terrific solution, that 100 percent financing off balance sheet, not the recourse, the taxes come with the property but no guarantee, no personal guarantee so if there's some credit problems.

People haven't paid their taxes for the last three years, there's best practices for that. It's a minimum, minimum credit evaluation, and we certainly hope that Illinois and our home state will pass the legislation. We love to be active participants in the Pace process, but even if we are not, even if we're not for competitive reasons or whatever, it's such a great product. As I said, I hope we get in. I will be happy to answer any questions.

MS. STELMASEK: Chris, please.

MR. MEISTER: Thanks. Thanks. Chris Meister. I'm Executive Director of the Illinois Finance Authority, and I want to thank Chairman Sheahan because I got a call participate on this. This is energy efficiency issues that are something that somehow I get get asked to be involved in or fall into it about once every two years and about two years has passed, and so here I am, and so I'm happy to play a role here.

So just a word about what the Finance Authority is, other than the fact that at one point when Chairman Sheahan came on, we were a subtenant here at the ICC, because we were changing office space. I am grateful to him for that, but we are what's known as a body politic and corporate of the state. We have a 15-member volunteer board, meets monthly.

Our current chairman is Rob Funderburg. He runs a community bank up in Rockford and the State of Illinois, and we operate wholly outside of the state budget taxpayer appropriation system, so we earn our own money. We support our own operations, and we do that because we actually have a product that the marketplace allows us to charge fees for, which is we are known as a conduit issuer of federally-tax exempt debt.

Most of you have heard that cities, states, other local governments can issue tax-exempt debt and under the federal tax code what I like to call two parts of a house, non-profits for non-for-profit purposes and certain individual businesses can act as the tax-exempt markets, but they need a conduit issuer, and the IFA, the Illinois Finance Authority, they opt for the State of Illinois.

Now most of what we do is non-profit hospitals and education, so Rush Hospital, Northwestern, U of C, Advocate, DePaul, St. Francis, University of Joliet, University of Illinois, but we also do for private borrowers known as farmers, manufacturers, like Freeman Seeding on the west side of Chicago, but we also have --

COMMISSIONER ROSALES: I'm sorry. What was the one on the west side Chicago?

MR. MEISTER: Freeman Seeding on the west side of Chicago. We also, within our statute, can issue on behalf of housing projects, and specifically looking at for-profit projects, and, more importantly, newly-pointed Illinois Housing Development Executive Director Hamernik, obviously there is a higher agency devoted to housing programs, but what we do from time to time is shoot back bonds, and we have done that on behalf of Catholic Charities, and Oak Park Development Corporation, and Hispanic Housing, but I think that the real take away is we are able to deliver material and economic value for the borrowers which is there was a delta between taxable rates, which are typically higher and tax-exempt rates which are typically lower.

Now when I joined the authority in '07, that delta was between 150 and 200 bases points, of a difference between a mortgage at 4 percent or a mortgage at 5 1/2 or 6 percent.

With the great recission, with the compression of interest rates, that delta has shrunk to sort of the 40, to 60, to 70 percent range, and, in addition, some key factors that provided market access, key tools went away.

When I joined the Authority in '07, a borrower non-profit involved in housing they might have been able to purchase bond insurance or get a bank letter of credit and their credit would be basically AAA, AA-rated bonds.

For various reasons, those have gone away, so the access to capital, because of a lack of credit support, in our world has by in large gone away. The market has changed, in other ways, too, is that it used to be most of what we did was a public offering, and there's a website called Emmas, called emma.org, and you can type in Rush University, Advocate, Illinois Finance Authority, and you will get an official statement and a whole series of information, but large commercial banks like PNC and others have taken to buying tax-exempt debt.

So that is a long way of saying there needs to be -- when we approach energy efficiency and -- energy efficiency and low-to-moderate income housing, there needs to be a material economic benefit for the developers and owners of these projects.

And I think in Illinois, as you heard the panel before and as my colleagues and panelists have spoke, that there are various tools that are out there. They don't always come together in as integrated of a fashion as is possible.

I think I know Molly long before the Department of Commerce was here. I just want to highlight the DCEO program, because I think it's been recognized, and I think both in the last panel and this panel, it sort of illustrates the the type of successful program if sufficiently funded, and, again, we're currently in the midst of a budget impasse, but I think it's a good illustration.

The Department of Commerce and

Economic Opportunity has the efficient housing construction grant, which basically means that when you are building new construction, low-income construction, or when you are rehabbing it, you basically have the project or the unit down to the studs, you can qualify for a grant of up to 4600 matching grant of up to $4600.

Of course, when the unit is down to the studs, that is the best time to make rather dramatic housing energy efficiency improvements, because the people aren't there and you can do a lot with insulation, and electricity, and plumbing, and things without breaking into walls and throwing people out.

I think that's an illustration of sort of the way that a grant can sort of take the place of equity in much the same way that a housing development authority's tax credits take the place of equity when they issue bonds through that program.

Getting back to the delta that I was describing, because one of the things that worries me about applying tools that may have been successful in other states on energy efficiency financing, and there are a lot of people in this room that are a whole lot more expert on this topic than I am, but I did pull up the U. S. Energy Information Administration's ranking of kilowatt-hour costs, is that Illinois as cross sectors have fairly low energy costs, and now, again, there is a delivery component, but when you are investing in energy efficiency, and whether you are doing some sort of on-bill, or Pace, or something like that, you were looking to finance the savings out of the delta between higher energy costs and a more efficient unit and just an example is that the average kilowatt-hour as of July 2015 in Illinois is about 8.4 cents, and in a state like Connecticut 15.5.

So, obviously, energy efficiency investment in the State of Connecticut, you are going to have a lot more room in that delta for financing, and I think -- I think this is an important fact to keep in mind as we approach things.

Again, I was very pleased to have to have Inland here, because they have real world experience in purchasing these products, purchasing this debt, and I think helping to administer these programs.

MR. RENDAK: Yes. Yes.

MR. MEISTER: So Southern California has been a real leader in these sort of programs and this is where they are active, but I think that these -- and, again, Art was better than I was, because it's been a couple of years since I touched on this, but he identified sort of the advantages and disadvantages of this structure.

Years ago when this first came out, I was involved with the first version of Pace legislation that percolated out through state senator in our state Mike Fergerrise, and the language was about a paragraph long and a constituent had come to see him and said to him, "See what the President is doing with the language that you need. Why don't you pass it, and, of course, he passed it, and then I took it to a bond counsel and he looked at me, raised his eyebrow, and said, "I'll never be able to write a bond option off of this."

So I'm thinking something like this is what you need, Senate Bill 116, and, again, it's instructive for the reasons why I highlighted it is that this has been something that has been kicking around the legislature since '08, '09, and it's now 2016. Again, a lot of stakeholders are the model of Senate Bill 116 is based on special service areas.

Our friend, the banker pointed out the special service area fatigue in some areas, but this special service area model was something that existed in Illinois law and was certainly financeable, and so that's why it was used, and it also allowed for a property owner to opt in and opt out, so you we are not worried about contiguous districts and contiguous pieces of property, but I'm very glad that it's still under consideration.

I understood that both sponsors Lou Lange and Senator Biss are very committed to it, and

I think discussions like this -- I applaud the ICC for having us here and asking everybody to bring their thoughts and ideas to this, but I'll just bring it back as I think that the key point is whatever program or set of programs is ultimately going to become policy or more efficient policy in our state on this very important topic is that we need to be able to clearly articulate and demonstrate what the material economic benefit is to the lender, to the borrower, and to the residents of the buildings, because I think that people in our state need it.

MS. STELMASEK: Great. Thank you, Chris. I don't think we have time for Q and A. Thank you everybody for all the great overviews of different financing mechanisms that you are working on.

Chairman or Commissioners have questions, otherwise, I have a couple I'll be happy to ask.

CHAIRMAN SHEAHAN: You know, one of the themes that I think is sort of emerging is the need for better communication, coordination, and organization of, you know, kind of very fragmented areas both in terms of policy and finance.

If there were one or two things we could do to help improve that, what would they be?

MR. RENDAK: I guess maybe that's me, because I'm in the private sector.

You know, I think -- I think that the sort of coalition or seeking advice, and I have never been involved in a bill before, and I apologize to try to provide advice on Senate Bill 116, but I thought it was good that the legislators and the folks whose maybe were familiar with Pace sought out someone in the great capital and others, environmental, finance, business, to understand how to write a bill that would be favorable to the experts in some states that can pass a bill where there's no product, and so -- and once they were written like this more or less like SB 116, not the one paragraph version of 2009, because the limitations put in them were such that the markets just won't put capital into.

There's an up front cost to developing

Pace, and I'm only speaking for Pace, but it's a fairly healthy capital outflow to hire folks to educate the marketplace about the product, you know, to help the banks understand why they need to, or they should, or hopefully consent to the mortgage, so there's an outreach program on top of the bond council. It's a bond or finance council and all that stuff, the loan documents that need to be put in place, because of a lien, and it's a tax lien, so there's a lot of things to put in place and be great if we had -- if all these different jurisdictions are going to opt in, which would be great.

I think -- at least by word of mouth, I think there's a lot of folks who want to opt in, you know, especially in places where their economy has been a little stagnant that we maybe even come up with some sort of universal financing structure so folks like Tony don't have to look at 17 different lender consents and 17 different sets of documents if they're going to review the documents and consent to them, so, you know, that's best practices makes some sense, but that's asking a lot, because we have the politics of all this.

Again, I'm just a finance guy, so I think, you know, because this is sort of a public/private relationship, I think what's being done is great, and I hope we have other opportunities like this for other types of legislation from my layman involvement that they seek out advice from the stakeholders.

MR. SMITH: I was going to say that was the perfect question for Stacie because I think it is really why Preservation Compact exist, and I hope you are going to advertise it.

MS. YOUNG: Great. I did not pay Tony to say that. Tony is on our energy working group and we talk a lot about this question and we talk a lot about the question of consistent messaging.

There's a lot of good programs out there. There's a lot of good utility programs, for-profit programs, other programs and incentives out there.

Someone from Ameren -- I don't know if he's still here -- said something that was really great, which is on the low-moderate side, you know, and Molly said it's more expensive to grab these funds, and so on the low-moderate side if you have your foot in the door, you better push all the way in and grab everything you can.

So to the extent that we can have the same message, if there's a utility that has their contractor and they're doing direct installs, make sure that either you are doing your own deep retrofit or you are having a deep retrofit done, and you are talking about on-bill financing or another way to finance the deep work, how can you use all of these programs to get thatat deep retrofit and that real savings.

So we have been talking to utilities about a regular marketing working group. Another owner on the panel mentioned it's difficult for another owner to understand the rebates and incentives that are here one minute and gone the next.

It's difficult for utilities to figure that out, too. We talk to them about it, so I'm not expecting them to wave a magic wand; however, in our messaging we all who are running these programs are talking to the owners, we need to have all the same information. We need to be saying the same thing that when we are talking about financing, we get a realistic picture and say right now the pipe is leaking and that you can get rebates on, but it's only been around for six months, you know, you have to act now.

If we have the same information, that means cross-marketing, that means cross-training, so that the implementers know about our program, our contractors know about all the different programs that are being offered, so that again if you are going to get your foot in the door, do everything you can to make sure they have all the information so that you can do as much work as they.

MR. SMITH: I will go one step further. Preservation Compact, which includes most of our government bodies, certainly locally, together with a very good cross section of affordable housing advocates and a few bankers, they let us every now and then, but the whole idea was to make sure that you had a representative sampling of different voices so you could collect all of that information and acknowledge the fact that it's a dynamic rather than static set of data that we are working with. When we think we got our arms around it, the world changes very quickly and we have to be able to adapt and then get that information out.

Of course, when you circulate information, you are competing with someone over lunch. You might get 10,000 tweets a day depending upon how many people you are connected with and how do we make sure that this data doesn't get lost. It's a real challenge, and particularly when the data is as complex as that which might come out of either the state or out of your mortgage partners.

It's really difficult, and most of the folks who are working on this, a lot of us are volunteers. This is what is we do after work to get all this data out, and, so it is a challenge, and then, of course, continual funding for information that's reflecting this kind information and then synthesizing this and articulating it in a way that some of our partners can really understand.

Because you start talking about a tax credit and Pace and you are with a local not-for-profit that's run by a gentleman who is running a church the other eight days of the week -- I have been told they have eight days -- it's a difficult challenge.

MS. STELMASEK: I'll go ahead and build up on the Chairman's questions and everything you just said and ask do you see pathways for more robust collaboration between a finance guy and the utilities and the building owners in these programs? And if you do, what are the kind of impacts that you think actually building up of the pathway financially have on those programs?

MR. RENDAK: Well, you know, our partners in Pace are contractors who pretty much sell the product or will be sort of a Pace administrator, sort of a wholesale partner, so they outreach to the vendors who -- you know, it depends on the scale of the project, a big giant solar project, a shopping mall or something is going to get a lot of people involved in the sales. It's your typical 50,000 square foot industrial building or small six-unit apartment complex. The vendor is going to be selling the product, and perhaps there's going to be an energy audit and there's going to be some environmental firm involved to reflect on the economics.

Again, if the HVAC steam boiler's coughing and not working, there's no time for that, so they need what they need and they don't have the capital, it becomes a real problem.

So I don't know if I answered your question. I think there's a collaboration between finance folks, vendors, and with the ESCO service companies all working together, and the alliance of Pace has been interesting, because it's finance people, unions, and the Sierra folks, so it's great, and, I mean, we're not the same people we usually see at meetings, but it's wonderful.

MR. SMITH: I would answer somewhat differently, but it's consistent. You mentioned one word, the audit or, said another way, projection.

As a lender, we want to be convinced. We want to be convinced that there is going to be savings and that savings again is expressed as an improvement in the cash flow.

Lenders and community investors do look backwards. We look at the historic performance of an operation, and this is a challenge to look forward towards an income or cash flow savings that's saying we are going to outperform what we did in the past simply by improving the energy output or cost to our business.

we want to believe that, and, therefore, getting that audit in helps us validate that assumption. Again, it's contextually within the total cash flow of the business that that's done effectively. It becomes a more compelling argument for making the capital available to finance those projects, so having experienced contractors together with having a viable audit for those projected improvements is critical to making adjustments, and particularly when numbers get very large. Looking at $50,000 improvements versus one that's going to be several million dollars, it's a big difference that becomes critical.

MS. YOUNG: Also, I think in addition I talked before about cross marketing and just having a website where everyone is each others' programs, and, you know, to Tony's point about the audit, it's confusing if someone is coming to your building and starts looking around, you are from the utility company and I'm going to do an audit and they direct install, and then, you know, they find out about, you know, our financing program and they say I have to do another audit, that's because it's the first audit, I didn't cover enough material, so certainly it's inconsistent perhaps to start an auditing, so it's the same audit across programs, and I guess I don't need an audit. I don't run that part of the program. That's not a small task, but it does seems like getting into that kind of same foundation would be a huge leap.

MS. STELMASEK: Are there in your various experiences common reasons that you come across that people don't follow through with energy efficiency projects, either specific to your financing mechanism that you are familiar with or in general, and are there things that you need to identify that may help people cross over that bridge to actually go through with that program? I think you really want to explore different ways we can help facilitate this.

Chris, I know you have seen energy efficiency from varying perspectives, and, as you said, maybe once every couple of years you probably have a little bit of higher level viewpoint on some of the trends that you want to address for us?

MR. MEISTER: Actually what I would like to do is maybe turn to Art and to have him describe their successes in Southern California and other states with some specificity, because I think that the challenge that we have in Illinois -- I mean, one real change that I view, regardless of whether legislation passes or inactive or not, I think is real change between the delta between savings and energy costs, but I think running a successful Pace program in another state I think clearly sort of describing that will probably give ideas to the stakeholders.

MR. RENDAK: Well, relative to Pace, it's different than some of the other programs. Pace requires the lender to consent, so in a place like California where there's been over a billion dollars of transactions, I think the average -- just to give you a sense of, the average residential pay loans is $20,000, so divided by $20,000 is -- whatever it is is a lot. I'm not that good a math guy, but the average commercial is 366,000 around the country.

So the residential is not getting the lender's consent and it obviously is succeeding, and it's part of the reason why Freddie and Fannie is not crazy about it.

On the commercial side, again, best practices, because it's putting a lien on your property if you have got a mortgage typically in default. If it's a voluntary lien, it would be something different.

So the states where Pace is not wide

spread, getting the lender to sign a piece of paper is a very challenging thing, because they don't understand it and it is something you got to go to your credit committee and it turns into a major major travail for the borrower who needs the product fast.

So the best part of the outreach, the program administration is a private enterprise to create a brand as a tool just like our mortgage. Everybody know what a mortgage is, and perhaps in California or the most part of it, they know what Pace is, so it's easier for the bank to understand that it's not a mortgage senior -- it's not an accelerated product. If it does default, God forbid, the only thing that has to be paid is the tax or the tax year's payment assessment amount.

So the education process is with the vendors and the users is important as it is with the lenders and certainly whoever is running the program here in Illinois, hopefully that happens, that should be one of their job wants.

I don't think really -- I don't

believe that I'm really aware of any deals that were lost where people decided to go forward with Pace. Certainly a bank product or the other products that are available, home equity, residential, some sort of a bank product could be cheaper, better, whatever the person's needs are, but I think it's -- I don't think anybody -- it's been more the process because it is -- there's a public component to Pace, it does tend to make a pending process longer, and one of the things the residential guys have done is made the approval almost instantaneous like a credit card.

So it's been a real reason why -- another reason why residential done. So Chris is right, the utility rates, the two highest places where Pace is successful is in Connecticut and California.

This a real quick sort of check on that, that certainly solar Illinois at eight cents a kilowatt would be a challenge because the solar business you are selling electricity back to the utility company and it's part of the benefit to some entity. The rest of the product still makes sense.

we also have to look at electricity. Our grid is old and it's going to need a lot of upgrades and that's not going to be done for free. It's going to affect all of us and our nuclear plants I think the youngest one is 28 years old.

Our coal business is going to be gone, unless something changes. I can't imagine it would, and natural gas is obviously very cheap right now, so that's a good thing, but that's going to be challenging. Electricity is still critical and renewables are great and they're growing in our state every day, but I think that like 8 cents a kilowatt-hour hopefully it would be great if we could keep that level and maybe renewables would help, but the facts indicate that's going to be a challenge, maybe not, maybe not in the next decade, but in the long term they're not going to be building nuclear plants, at least based on the current economics.

MR. SMITH: I'll say two things. First off, it's 5 million, but do the math, and no surprise for

California where they have gone through a number of planned communities where they actually carved out additional taxes just to cover the cost of bringing utilities to those communities, so we have had a lot of experience there, and that experience can be traced over at least three decades, so they had a lot of time to get used to these incremental taxes.

Getting back to your question you had, I think that between Elevate and CNT, you probably have a pretty good database of individuals that have actually gone through the audit process and maybe made the election to or not to make improvements or you could probably draw on that and get very concrete data around that.

A large enough sampling to actually be a valid indicator of behavior, but one thing that is clear, and that is that in the low-income communities in particular, and I'm going to draw two things, we have renters and we have owners, and the benefit here the theory goes to the owner of the property, so if you are a renter or, I should say, an owner of a rental property, in theory there could be benefit to you if you can validate and finance that particular savings.

Right now in a lot of low-income communities, the property value is not supporting that incremental debt. That's a real challenge; on the other hand, all the data suggest that even though the recovery is uneven, we are beginning to see improvements in property values in what traditionally have been some very low and low-income neighborhoods. It's not recovering as quickly as some would say the Tale of Two Cities.

The properties on the north side of Chicago, for example, are recovering more quickly than on the south side; on the other hand, look at Pilsen, look at Hyde Park. Those are clearly -- Hyde Park is clearly not low income -- you see two neighborhoods that are showing dramatic recoveries in terms of property values and now Woodlawn immediately to the south of the University of Chicago, again, starting to show us improvements.

So there's reason to believe that while it may be a longer recovery as those property values improve, we may see opportunities to finance the energy enhancements that would even improve the energy efficiency of those buildings.

MR. MEISTER: Coming back to Suzanne, so I think one suggestion that I have is that perhaps some of the utilities administered-based programs could be directed to more of a deep energy improvement that was identified and sort of the -- sort of thing that is now a couple of decades old DCEO energy efficient housing starting to employ as kids.

So rather than an emphasis on appliances or some of the other things is that maybe there could be a portion of that diverted so that it encourages the sort of deep based down to the studs so you are going to have a large payoff that is going to keep paying for a low-to-mid moderate income resident for a long long time to come.

MR. SMITH: The same thing could be said about TIF where if those dollars were made available for energy improvement, what has largely been inappropriate to say facade improvements, that we might have greater impact under disposable income, and bye, bye to low-to-moderate incomes exposed, but utility obligators admit that several low-to-moderate families spend a disproportionate more energy.

So to the event that we deploy dollars that are going to actually impact their ability to support their families helps, and I would even go one step further, getting those low-income families to be owners of two-to-four unit properties creates a revenue source for them as well and then in a way we are creating small businesses even though it falls out of the traditional definition, you know, when you own four units and the revenues collected on the other three is enough to pay your mortgage, then you suddenly have enhanced the earning potential and a long-term wealth accumulation potential of those families, and so this would be a very good marriage of energy efficiency and addressing this wealth accumulation challenge that is such an issue for the lowest income families in the communities we serve.

MS. STELMASEK: That's such a great point.

Actually, Tony, your statement will bring me to the question that I wanted to ask. Thank you for that transition.

Are there programs in Illinois that you guys think can be improved to better serve the affordable housing market or, on the contrary, is there programs and best practices from other states that we think may be implemented in Illinois that could also address some of the shortfalls that we heard about today?

And, Stacie, your work with on-bill financing and energy programs with partners what do you see today?

MS. YOUNG: So, again, we have two different financing programs for retrofits for multifamily. The on-bill program again is a wonderful program. I think other states are actually jealous of our program. There aren't that many multifamily programs in the country, so we have a very good program, and kudos to the utilities for putting more money into the pot.

The way that programs works it's a

dollar per dollar. Every dollar that the utility puts into their pot is 100 percent one to one guaranteeing a dollar that's loaned out, and typically anyone who's in finance, that's usually not how we think about it. We have a loan officer per our energy savers program financing at CIC that's about 30 percent and our losses have been very minimal in that program, 30 percent. You know, it seems like a fair amount, but it's not a hundred percent.

So right now the On-Bill Program is, you know, for these dollars utilities are putting in, you know, so if we loan out $50,000 for on-bill, then $50,000 is set aside from the utility's pot, and, in addition, again multifamily on-bill is new, so we know from our multifamily financing that a lot is done minimal.

So it would be great if it was like 50 percent, then you could stretch that money out further and finance that even more. So that will be a much more efficient way to structure the program.

Again, I don't know exactly what needs

to happen to get from here to there, but it seems to me from the financing world 50 percent is plenty and you will be able to stretch those dollars further.

Another thing would be on-bill is a really great resource for government-assisted property, because you don't have to put that second lien against the property. All these government properties cannot take a second lien. So right now unfortunately -- again, these buildings have to be under 15 units.

Again, in the subsidized world, there aren't that many buildings that are government subsidized that are under 15 units. They're larger buildings, because of scale. That's how you get to efficiency is to do a big deal as opposed to a smaller deal, and so if we could increase the number of units which allow an owner on-bill, that would be great.

The other thing with on-bill, you know, is you maximize the measures that are allowable unless the utilities work out fine.

Our on-bill program manager at CIC is

in the room. There's a few measures that aren't part of the on-bill programs that if they were included it could be a more robust program. It could do deeper retrofits and get to better savings in these buildings.

MR. SMITH: I'll stretch a bit. For most of this panel we talked about owner-occupied, whether it's owner or investor owner-occupied properties. There's a lot of vacant properties out there, and in theory if we were occupying those properties, bringing them back in, we bring more tax generation to the roles and, therefore, create monies that could be deployed to do other things.

In this respect, we are seeing nationally a growing number of private investors -- I'll call them weed back (sic), companies that are acquiring the mortgage for single-family properties, rehabbing the same, and then renting them, sometimes renting to own.

In theory, that's a universe that we kind of look out at outside of these kind of programs, notwithstanding the fact that again organically or naturally, when we retrofit some of these homes, we make them more energy efficient, but not always, and certainly it is not always intentionally. If you are selling rather than holding for a portfolio, you are not going to be as concerned with energy efficient programs of those units.

So we probably need to broaden the thinking to make sure that we embrace and perhaps even encourage private investments, because if we are successful, we can also strengthen neighborhoods and improve the densities, in other words, get rid of a lot of vacancies that also lend itself to other unhealthy public safety and other outcomes, bring in more rooftops, get more viable small businesses and, therefore, job creation. It's all linked, and encouraging us not to think of energy efficiencies outside of the normal economic viability of the neighborhood.

MR. RENDAK: Pace.

(Laughter.)

I feel like Al Gore. It's a lock

box, but, I mean, you know I think, you know, certainly on the residential side, I think the proper product that is blessed by Freddie and Fannie is properly regulated.

I think residential Pace for affordable neighborhoods is an amazing product. It came to people who can't get it for whatever reason they still have to pay the debt back, but it's not credit driven, so it gives people a chance and I think commercial Pace is just as effective for, again, it's a great product for folks who can't access capital areas where, you know, they're underserved for capital, but no matter what everything -- all these people here, and, you know, capital drives the bus of helping some of the affordable housing process, and so I'm not going to make a speech, but I think Pace is obviously a good tool.

MR. MEISTER: I would like to see more of a direct line between some of the utility energy efficiency programs that I think absolute partner would be the Housing Development Authority, because

because they have real established programs and they're engaged with developers, and one of the most effective tools that they have are tax credits which ends up taking the place of equity or act as equity in sort of financing, so I think it would be an excellent way to boost energy efficiency and add to the equity in a housing development project by running some of those revenue streams directly into those programs or those projects.

MR. SMITH: That's interesting. I think you indirectly identified one of the risks in the tax credit universe.

In the old days you had enough tax credits and grants to cover close to a hundred percent of the project, and today that's not the case, and so there's a lot of pressure on builders to actually streamline the cost of the project, and we haven't necessarily put them on the table and hold them accountable for what are the energy efficiencies that we give up, so it's probably another one of those things we might want to examine, or perhaps said another way, in the criteria for awarding the tax credits, let's hold to a higher standard of energy efficiency.

MS. YOUNG: I am going to say one more thing worth underscoring. All of the DCEO affordable housing construction program properties are funded, so there's an absolute overlap there, and so it sounds like they're working together already, but that's just a critical and kind of obvious thing, because IHDA is financing a lot more properties than DCEO, but certainly I think probably every unit that is funded through that DCEO program in and out of that portfolio for the City of Chicago certainly one way or another they're receiving some sort of government subsidy.

MS. STELMASEK: All right. I think we have time for one more question. I think everyone has had it fairly easy up here today, but even so, on the difficult questions, I'm going to ask this and we are going to get out of here.

John Brauc brought up on the panel that happened before lunch that one of the most difficult things they had an unfunded stream. They don't know what rebates they are going to add. They don't know what programs are out there right now. It actually prevents building owners from moving forward to the programs that they want to undertake. How do you fix that? I think I know what Art is going to say.

MR. RENDAK: John actually described like 200,000 in the hallway.

(Laughter.)

It works for John. Lenders are okay with it. It gives that same set of rules I think he was talking about some insulation and might have been 25,000, but the cost of that transaction you have to look as if you can combine with some other things, you know, and increase the amount of principal, but when we to get a 20-year amortization, we get a hundred percent financing. I would assume that would be something that was very dear to them.

MR. SMITH: It's a big depend. So I will tell you what we have done. We have actually put bridge loans in place. It's not comfortable having to say, well, we are bridging the schedule of payments from our governmental partners, which have sometimes been unpredictable, but what we do is we don't attract it.

We understand that some of our investor development partners have been tremendously successful year after year at winning awards and we support them in that respect.

In some cases we find that they have other assets that we can use to create working capital facilities or we will partner again with some of our very productive partners that make sure those monies are available, but you have to be committed to making sure that that energy efficiency affordable housing is a priority and the same respect as a bank.

Of course, we manage our granting process the same way, and, you know, there's three degrees or 60 degrees of separation in most of the universe and the affordable housing and energy efficiency savings may be one, and so most of us do know each other, directly or indirectly, and we often are able to collaborate to make these projects happen.

MS. YOUNG: So I know how tall the buildings are that these guys work in. They don't know about elevators, so here's my really fast elevator speech. Coordination, consistent messaging, consistent and cross marketing, and cross training, and more coordination, and I think poor John Brauc will then know if I don't finish this by June I'm not going to be able to fund it.

MR. MEISTER: I think predictability, and reliability, and transparency of the product on the stream for incentives is one of the reasons why tax exemptions work as a financing tool, and I think, since I understand that a lot of these streams come through the Commission, the Commission can play a very important role in priority over predictability and transparency.

MS. STELMASEK: Join me in a round of applause for our panels.

(Applause.)

I will turn it over to the Chairman.

CHAIRMAN SHEAHAN: Thank you. Thanks to all of you again, presenters, panelists, the audience, and I want to offer a special thanks to Anne Evens and her team, Anne, and Suzanne, and Anastasia and Elizabeth for organizing it. It's really been a fascinating day. I know that we all look forward I think to working with you and improving the environment, and with that, thanks.

(Whereupon, the above matter was adjourned.)