



**ILLINOIS ENERGY EFFICIENT AFFORDABLE HOUSING
CONSTRUCTION PROGRAM
PROGRAM YEAR 2016-2017**

**ILLINOIS ENERGY EFFICIENT AFFORDABLE HOUSING CONSTRUCTION
PROGRAM GUIDELINES**

**ENERGY EFFICIENT RESIDENTIAL CONSTRUCTION
NEW AND GUT REHABILITATION**

PROGRAM YEAR 2016-17

PROGRAM WILL ACCEPT APPLICATIONS THROUGH APRIL 14, 2017



Illinois
Department of Commerce
& Economic Opportunity
OFFICE OF ENERGY & RECYCLING
Bruce Rauner, Governor

A. Program Information

Purpose. The Illinois Department of Commerce and Economic Opportunity (“Department of Commerce”) administers the Illinois Energy Now (“IEN”) portfolio of programs, as part of the State’s Energy Efficiency Portfolio Standard (“EEPS”), to implement cost-effective energy efficiency measures that help meet annual energy savings targets. Implementing such measures enhances economic development in the state of Illinois, through energy cost savings, job creation, and business development. Specifically, the IEN Low-Income Energy Efficiency Programs (“Low-Income Programs”) provide incentives for projects that increase the energy efficiency of low-income households. The IEN *Energy Efficient Affordable Housing Construction Program* will, to the extent funds are available, offer these incentives in the service territories of Ameren Illinois (“Ameren”), Commonwealth Edison (“ComEd”), Nicor Gas (“Nicor”), Peoples Gas (“Peoples”), and/or North Shore Gas (“North Shore”).

Background. The U.S. Department of Housing and Urban Development defines housing to be affordable if housing cost is no more than 30 percent of a household's income. Housing cost is defined as rent or mortgage, plus energy costs. Typically, affordable rents and mortgages are achieved by minimizing construction costs. Yet, in an effort to meet this goal, the developer often excludes energy efficiency. The result is housing with affordable rents or mortgages, but unaffordable energy costs. Energy efficient building practices are often excluded from affordable housing projects for two primary reasons. First, developers, architects and builders do not know or understand what constitutes energy efficient building practices. Second, it is a frequent misconception that energy efficient building practices cost too much.

In recognition of these issues, the Department of Commerce established the *Illinois Energy Efficient Affordable Housing Construction Program*. The goal of the program is to promote the benefits of lower utility bills on low-income households, as a result of living in energy efficient buildings. Another integral part of the program is educating, those involved in the development of affordable housing, on the various cost effective energy efficient building practices that can be included in building construction.

The Department of Commerce works with Illinois based affordable housing developers to integrate energy efficient building practices into the rehab and new construction of multi-family and single-family buildings. Grants are provided by the Department of Commerce to help offset the incremental costs associated with increased energy efficiency.

Energy efficient building practices emphasized under the program include:

1. High Insulation Levels
2. Indoor Air Sealing
3. Controlled Ventilation
4. High Efficiency Heating Systems

Objectives. The *Illinois Energy Efficient Affordable Housing Construction Program* has the following objectives:

- Identify electricity and natural gas savings opportunities in affordable housing projects to maximize energy savings.
- Demonstrate the impact that energy efficiency has on creating and maintaining affordable housing as a result of being energy efficient.
- Educate developers, architects, and builders about various energy efficient building measures suitable for residential construction such that they use these measures on other projects not receiving grants from the Department of Commerce.
- Educate affordable housing lending partners as to the benefits of energy efficient buildings.
- Stabilize low-income neighborhoods through energy efficient building rehabilitation and new construction.

For additional information about the *Illinois Energy Efficient Affordable Housing Construction Program*, contact Rick Fiddymnt at 217.524.1838 or richard.fiddymnt@illinois.gov.

B. Definitions

The terms used in this document have the meanings set forth below. Words and terms not defined here, if defined in the Environmental Protection Act (415 ILCS 5), will have the meanings as defined therein.

“Act” means the Public Utilities Act.

“Applicant” means non-profit and for-profit affordable housing developers proposing a residential energy efficiency project in Illinois that applies under this program.

“Application” means a request for program funds by submitting the required information, on the Department of Commerce’s approved forms and attachments, as prescribed in these Guidelines.

“Energy efficiency measures” means measures that reduce the total Btus of electricity and/or natural gas required to achieve a given end use or uses.

“Entity” means any applicant submitting an application to the Department of Commerce.

“Grantee” means an entity that has been awarded a grant under this program.

“Performance Period” means the length of time the Grantee is required to operate the project and submit information/data to the Department of Commerce.

“Project” means the suite of the applicant’s proposed activities that the Department of Commerce agrees to fund through this program.

“Project Completion Date” means the date that all project tasks are completed and deliverables submitted.

C. Funding Information

Funding Authority. The Department of Commerce is authorized by 20 ILCS 1105/3 to administer for the State any energy programs and activities under federal law, regulations or guidelines. The funding source for the *Illinois Energy Efficient Affordable Housing Construction Program* is the Energy Efficiency Section of the Public Utilities Act (220 ILCS 5/8-103 and 5/8-104). The statute provides funding for the EEPS and sets certain statutory requirements to meet incremental annual energy savings goals; procure a minimum percentage of the portfolio from local governments, municipal corporations, public schools, and community colleges; and target low income households proportionate to their share of annual utility revenues. The *Illinois Energy Efficient Affordable Housing Construction Program* is one component of the Department of Commerce’s total portfolio (known as Illinois Energy Now), designed to meet its obligations under the Act. Funding levels are determined each year by the Department of Commerce under a plan submitted to the Illinois Commerce Commission. The Department of Commerce reserves the right to limit the total amount of funding for this program in any given fiscal year.

Grant Funding Levels.

REHAB

- Grant amounts of up to \$4,650 per living unit for single-family homes
- Grant amounts of up to \$4.60/ft² of gross square footage of living space or \$4,650, whichever is less, for multi-family buildings that will result in less than 80 units
- Grant amounts of up to \$4.35/ft² of gross square footage of living space or \$4,650, whichever is less, for multi-family buildings that will result in 80 units or more

NEW CONSTRUCTION

- Grant amounts of up to \$4,150/living unit for new single-family homes
- Grant amounts of up to \$6,700/building for new duplex construction
- Grant amounts of up to \$7,800/building for new “3-flat” construction

- Grant amounts of up to \$8,900/building for new “4-flat” construction
- Grant amounts of up to \$11,500 for new “5-flat” construction
- Grant amounts of up to \$4.35/ft² of gross square footage of living space in new multi-family buildings with less than 80 units
- Grant amounts of up to \$4.10/ft² of gross square footage of living space in new multi-family buildings with 80 units or more

The Department of Commerce reserves the right to negotiate the grant amount with the grant applicant depending upon availability of grant funds, scope and size of project. The Department of Commerce reserves the right to modify the grant amounts as needed to fulfill the EEPS statutory requirements or based on current market development, technology development, evaluation, measurement and verification (EM&V) results and program implementation experience. The Director reserves the right to waive funding limitations and other program parameters. The Director has the authority to implement pilot projects under this program.

D. Eligibility

Eligible Applicants. This program is open to Illinois based affordable housing developers building or rehabbing single-family and multi-family buildings. Developers must meet the following:

- Projects must be targeted to households at or below 80% Area Median Income (AMI)¹; and
- Applicants will be required to indicate the number of units that will be targeted to households at or below 80% AMI.

Funding under this program may be requested to help offset additional costs of installing prescriptive measures to meet the energy efficient standards. Applicants may request grant funding for more than one building. Alternatively, applicants seeking funding for multi-family buildings may choose to meet the standards using a performance based approach.

Note: As part of the changes to the state grant process brought about by the Federal 2 CFR Part 200 (Uniform Requirements) and the Illinois Grant Accountability and Transparency Act (GATA), all entities wishing to receive grants from the State of Illinois must now register at: <https://grants.illinois.gov/registration/>. Any organization planning to apply for an EEPS grant during the 2017 program year may now register.

Please note that FEIN and DUNS numbers are required to complete registration. The online registration will trigger a pre-qualification process that will ensure the entity:

- Has a current DUNS number;
- Has a current SAM CAGE Code (you will need to register at SAM.gov);
- Is not on the Federal Excluded Parties List; and
- Is in Good Standing with the Illinois Secretary of State.

An entity can only register once per DUNS number annually. If your entity attempts to register a DUNS number that has already been registered, you will receive a notice that contains the contact information of the original registrant.

Once your entity is pre-qualified, you will receive a link to an Internal Controls Questionnaire (ICQ). EEPS applicants must complete the ICQ as part of the pre-award process and program staff will then determine whether any or all risk-based conditions shall be incorporated into the Agreement.

Eligible Expenditures. Grant funds are to be used to offset the additional material and labor costs required to include energy efficient measures in residential construction. Eligible expenditures include items such as insulation, upgraded windows, lighting, ENERGY STAR® appliances, air leakage testing, materials and labor to include

¹ For information on Area Median Income (AMI), see <http://www.huduser.org/datasets/il.html>.

air-sealing work, ventilation systems and upgrades to the heating, air conditioning and domestic hot water systems.

Ineligible Expenditures. All non-living spaces are ineligible to receive program funds. Non-living spaces include, but are not limited to, administrative offices, commercial space and basement space (unless the basement will be finished as living units). Grant funds may not be used to purchase property, pay operating expenses or provide for grant recipient's personnel expenses. Additional architectural and/or engineering services that may be required as a result of meeting these standards are not eligible for funding.

E. Program Specific Requirements

Air Leakage Testing. Air leakage testing is required in completed units. Grantees are responsible for securing the services of a company certified to do air leakage testing. A list of certified companies may be found here: <http://www.ilcodediagnostics.org/>

Units must meet the appropriate air sealing standard (outlined in the application). Copies of the air leakage reports must be provided to the Department of Commerce Program Manager and/or the Department of Commerce Energy Consultant.

If a grant is provided on a “per unit” or “per building” basis, all units must receive an air leakage test. If the grant is provided on a “per square footage of living space” basis, air leakage testing may be done utilizing the “RESNET Mortgage Industry National HERS Standards” sampling protocol, section 603.7². Sampling protocol must be applied to all residential units, not just those targeted to households at or below 80% AMI.

Performance Based Approach Requirement. The standards outlined in the application are prescriptive; that is, meeting the standards is the minimum required for obtaining an energy grant. Trade-offs are not permitted.

The Department of Commerce is permitting applicants to show that energy standards are being met or exceeded based on performance modeling. A limited number of projects may choose to take this approach. Applicants choosing the performance approach must meet the following criteria.

- Projects must be multi-family, either rehab or new construction
- Projects must be seeking ENERGY STAR®, LEED or Enterprise Green Communities
- Applicants must provide their modeling results to a third-party selected by the Department of Commerce for verification
- Projects must show a minimum 15% energy use improvement over ASHRAE 90.1-2013 or IECC 2015
- Energy produced by solar or wind power cannot be included in the 15% energy use improvement

Applicants meeting these requirements are eligible for an additional 10 percent of the base grant amount.

The Program Manager and the Department of Commerce’s Energy Consultant must be consulted prior to requesting an energy grant based on energy performance.

DCEO reserves the right to require certain Prescriptive Measures if necessary.

Applying for IHDA Tax Credits. Developers applying for Illinois Housing Development Authority (IHDA) Tax Credits that require a letter from the Department of Commerce indicating that an energy grant is being sought through the *Energy Efficient Affordable Housing Construction Program* must complete and submit this application to the Department of Commerce no later than **two weeks** prior to the IHDA deadline. In addition, schematic floor plans showing dimensions or areas of residential spaces must be submitted to the Department of Commerce’s energy consultant no later than **two weeks** prior to the IHDA deadline.

² In essence, the first completed 7 units must be tested. If all 7 units pass, 1 in 7 remaining completed units must be tested. See Section 603.7 of the RESNET document for additional information and requirements if a unit should fail the air leakage test.

F. Program Administration

Payment Schedule. The payment schedule will be according to the structure shown below. However, the Department of Commerce reserves the right to determine the appropriate payment structure on a project-specific basis.

- Approximately 50 percent upon grant execution and initiation of construction at building site.
- Interim payments may be negotiated with the Department of Commerce, subject to appropriations.
- Remaining grant payment upon substantial completion of energy measures.

Grant Reporting/Monitoring. Grantees will be required to submit progress reports in accordance with the requirements of the grant agreement. The Department of Commerce reserves the right to structure reporting requirements on a project specific basis. As acceptance of the grant, the recipient agrees to assist with an energy consumption analysis for up to three years following occupancy of the building(s). The energy consumption analysis will be conducted by the Department of Commerce in one of two fashions:

1. Run time meters will be installed on the heating system(s). Grant recipient will provide meter readings to the project manager on a periodic basis over the heating season, or
2. Grant recipient will sign a Fuel Bill Release form (if building is centrally heated) or have the tenants or owners sign Fuel Bill Release forms (if building units are individually heated). If tenants sign Fuel Bill Release forms, recipient agrees to have new tenants sign these forms for a period of up to three years.

The Department of Commerce Program Manager will monitor the Grantee's compliance with the terms of the grant agreement.

Freedom of Information Act/Confidential Information. Applications are subject to disclosure, in response to requests received under provisions of the Freedom of Information Act (5 ILCS 140/1 *et seq.*). Information that could **reasonably** be considered to be proprietary, privileged or confidential commercial or financial information should be identified as such in the application. The Department of Commerce will maintain the confidentiality of that information **only** to the extent permitted by law.

Authority/Approvals. The applicant's signature on the compliance statement as set forth in this application is its certification that all authorizations required to perform the project have either been obtained or will be obtained. The Department of Commerce has the authority to rescind the grant if the project has not begun within 270 days following the grant beginning date set forth in the Notice of Grant Award issued by the Department of Commerce.

Legal Compliance. The applicant must certify on the application that the project complies with all applicable state, federal, and local environmental and zoning laws, ordinances, and regulations and that all permits, licenses, etc., required to perform the project have either been obtained or will be obtained.

Dissemination of Information/Technology Transfer. Grantees will be contractually required to allow the Department access to the project site and the ability to obtain, publish, disseminate or distribute any and all information obtained from the project (except any data or information that has been negotiated as being confidential or proprietary), without restriction and without payment or compensation by the Department of Commerce.

Grant Duration/Performance Period. The grant term/performance period will be determined on a project specific basis. Grantees will be required to certify the project commencement date to the Department. The Agreement may require up to 36 months of performance data following the project occupancy.

Prevailing Wage Requirements. Grantees are responsible for determining if their projects will trigger compliance with the Illinois Prevailing Wage Act (820 ILCS 130/0.01). The Department of Commerce will not render a legal opinion as to the applicability of the Prevailing Wage Act to any project. Questions regarding the applicability of Prevailing Wage requirements may be referred to the Illinois Department of Labor at 312.793.2800 or 217.782.6206 or see the link <http://www.illinois.gov/idol/Laws-Rules/CONMED/Pages/prevailing-wage-act.aspx>. Attorney General Opinion No. 00-018, which addresses applicability of Prevailing Wage requirements, may be accessed on the Attorney General's Web site at <http://www.ag.state.il.us/opinions/2000/00-018.html>.

State Not Liable. Grantee shall hold the State of Illinois harmless from any and all claims, demands, and actions based upon or arising out of any services performed by Grantee or by their agents or employees under a grant agreement. The Department of Commerce, by entering into a grant agreement, does not pledge or promise to pledge the assets of the state nor does it promise to pay any compensation to the Grantee from any moneys of the treasury or the state except such moneys as shall be appropriated and paid to the Grantee by the Department of Commerce.

Indemnity. The Grantee agrees to assume all risks of loss and to indemnify and hold the Department of Commerce, its officers, agents and employees, harmless from and against any and all liabilities, demands, claims, damages, suits, costs, fees, and expenses, incidents thereto, for injuries or death to persons and for loss of, damage to, or destruction of property because of the Grantee's negligence, intentional acts or omissions. In the event of any demand or claim, the Department of Commerce may elect to defend any such demand or claim against the Department of Commerce and will be entitled to be paid by the Grantee for all damages.

Insurance. The Grantee shall provide Workers' Compensation Insurance or the same, as required, and shall accept full responsibility for the payment of Unemployment Insurance, premiums for Workers' Compensation, Social Security, and retirement and health insurance benefits, as well as all income tax deductions required by law for its employees who are performing services specified by the grant agreement.

Return of Funds. The Grantee shall return to the Department of Commerce any and all funds that are determined by the Department of Commerce to have been spent in violation of the grant agreement.

G. Application Process

Application Format/Submittal. Applicants are encouraged to discuss the project with the Program Manager prior to submitting their application. A pre-application meeting is highly recommended.

- Each application submitted under these guidelines must include all of the information required in the grant application documentation.
- Schematic floor plans of the project shall be submitted with the application. Schematic drawings may be submitted in pdf format.
- Applications under this program will be accepted on an on-going basis throughout the program year. For projects starting construction before May 31, 2017, applications must be received by April 14, 2017, subject to funding availability.

Pre-Application Meeting. Prospective applicants are encouraged to have their application development team contact the Department of Commerce's program staff as early in the design process as possible. This conference should occur before construction documents have been completed and should include the project architect and general contractor. Schematic design drawings, if completed, should be made available to the program staff and the program's consulting architect prior to the meeting.

Various methods for meeting the energy efficiency standards will be reviewed during the conference. Modifications to the energy standards may be made depending upon type of construction proposed for the development. Typical energy efficient building details and specifications will be made available to the applicant, architect and general contractor for review. Grant amount, payment and reporting schedule will be discussed.

Attendance at a pre-application meeting confers no right upon any applicant. The Department of Commerce is not obligated to award a grant or to pay any costs incurred by the applicant as a result of the pre-application meeting.

Application Evaluation. All applications for funding will be reviewed for completeness and for compliance with statutory requirements. The Department of Commerce shall establish an evaluation team that will review the applications based upon the grant application. Applications will also be evaluated on the basis of previous construction experience, costs to include the energy efficient measures, construction start dates, and availability of funding. Any applicant that is a current or previous Grantee of the Department of Commerce and was/is delinquent in its compliance with grant provisions shall have such delinquency included as one of the application evaluation criteria for this current application.

Upon recommendation by the evaluation team and Division Manager, negotiations between the Department of Commerce and the applicant shall be authorized. During the negotiation process, the Department Program Manager shall conduct a technical review of the project and offer technical assistance to the applicant to ensure the cost effectiveness of the project. Applicants selected for funding will be those that demonstrate, through the negotiation process, the applicant's ability to integrate energy efficient building measures in building construction or rehab at a reasonable cost while meeting the program's objectives. Prior to grant award the Applicant will be expected to submit construction documents and a Construction Documents Checklist.

Rejection of Applications. The Department of Commerce reserves the right to reject any and all applications submitted for funding under this program. The submission of an application under these guidelines confers no right upon any applicant. The Department of Commerce is not obligated to award any grants under this program, to pay any costs incurred by the applicant in the preparation and submission of an application, or pay any grant related costs incurred prior to June 1, 2016.