Memorandum

TO: Ahmad Zayyad, Deputy Village Manager

FROM: Marcella Bondie Keenan, Sustainability Coordinator

DATE: July 27, 2022

SUBJECT: External Funding Sources and Innovative Financing Mechanisms for *Climate Ready Oak Park* Implementation

This memo summarizes recommended funding and financing approaches for the incremental cost of key actions in *Climate Ready Oak Park*. As a rule of thumb, the Village can anticipate external funding to cover approximately 25% of the overall incremental cost of plan implementation. A number of financing mechanisms can also be applied. A glossary of financing mechanisms can be found at the end of this memo.

The actions recommended in *Climate Ready Oak Park* will provide cost savings through improved efficiencies and systems performance, as well as avoided damage from climate change impacts. Please see the Goals and Co-Benefits Matrix included with the *Climate Ready Oak Park* Executive Summary for an overview of the non-financial community co-benefits that can be achieved.

All Impact Areas

- Mainstream *Climate Ready* actions into existing departmental operations and revenue streams and revenue streams (e.g., developer fees, motor fuel tax, water/sewer utility payments, municipal aggregation civic contribution).
- Leverage existing organizational memberships to receive pro bono technical assistance to establish and train staff on updated energy, climate, and sustainability Village codes, ordinances, and development standards. E.g., participate in technical assistance programs offered by local partners that are funded through grants and Public Benefit Funds (e.g., Metropolitan Mayors Caucus, Midwest Energy Efficiency Alliance).
- Fund community equity- and capacity-building projects through philanthropic grants, emphasizing collaborative grant proposals with multiple organizations. Staff maintains a list of philanthropic organizations.
- Fund community-led programs, campaigns, and initiatives through philanthropic grants. The Village can offer in-kind donations through grant writing assistance, project-based technical assistance, and facilitating collaborative partnerships.

Energy Use in Buildings and Housing

- Governmental partners can fund and finance building energy improvements through energy utility incentives (e.g., ComEd rebates), and Pay-For-Performance and Energy Performance Savings Contracts mechanisms.
- Multifamily and commercial building owners can finance energy improvements through the Cook County Commercial Property Assessed Clean Energy (C-PACE) program.
- Residential building owners can finance improvements through the State on-bill energy efficiency loan program, State renewable energy incentives (Illinois Shines), and federal tax credits.
- Income-qualified residential building owners can fund building energy improvements through the utility-sponsored Home Energy Savings program. The Village can assist residents to achieve deeper improvements through financing based on a Loan Loss Reserve Fund and/or Revolving Loan Fund mechanism, and funding from Community Choice Aggregation revenue.
- The Village can fund and finance neighborhood-scale renewable energy installations through federal grants (e.g., U.S. Department of Energy), bonds or existing taxes/fees, and/or financing agreements with developers, partnerships with grant-funded workforce development organizations.
- The Village can procure renewable energy through a Power Purchase Agreement mechanism for the Community Choice Aggregation program.
- Residential, commercial, and institutional building owners can leverage the Group Purchasing mechanism to procure discounted renewable energy, energy efficiency, and electrification materials and labor (e.g., Grow Solar Chicagoland).
- The Village can fund historic preservation programs through building demolition and construction debris hauling fees, State or Federal Grants, and a Value Capture mechanism for new construction in proximity to historic and cultural assets.

Transportation

- The Village can fund EV infrastructure by capturing revenue from public charging stations, receiving State/Federal and utility municipal grants (i.e., VW settlement, CEJA, IIJA), bonds or allocation of existing taxes/fees, and procuring discounted equipment and services through a Group Purchasing mechanism.
- Governmental partners can fund EV fleets by receiving State/Federal and utility municipal grants and a Group Purchasing mechanism.
- Residents and businesses can fund electric vehicle purchases through State rebates and consumer financing.
- The Village can fund and finance active transportation and transit infrastructure improvements and programs through the allocation of the motor fuel tax and other existing taxes/fees, bonds, nonprofit/public partnerships, and Federal/State grants (e.g., IDOT ISTEP, CMAQ).
- The Village can fund parking asset management strategies through parking fee revenue and a Pay for Performance mechanism.

Extreme Weather and Climate Resilience

- Governmental partners can fund neighborhood-scale climate resiliency installations (e.g., climate resiliency hubs, microgrids, incentive programs) through State/Federal grants, and bonds or allocation of existing taxes/fees, establishing an Expanded Flatwork Fee and a Stormwater Utility Fee, receiving stormwater utility grants (e.g., MWRD Public Benefit Fund grants), and partnerships with grant-funded workforce development organizations.
- Governing Partners can fund climate resiliency property improvements through a Pay-For-Performance mechanism, stormwater utility grants, and negotiated lowered insurance premiums.
- The Village can assist income-qualified residents to achieve climate resiliency building improvements through financing based on a Loan Loss Reserve Fund and/or Revolving Loan Fund mechanism, funding from Community Choice Aggregation revenue, and efficiencies gained by bundling and coordinating construction work with energy improvements.
- Multifamily and commercial building owners can finance climate resiliency improvements through the Cook County Commercial Property Assessed Clean Energy (C-PACE) program.
- Residential, commercial, and institutional building owners can leverage the Group Purchasing mechanism to procure discounted services and installation for green and grey climate resiliency improvements (e.g., rain gardens, sewer backup prevention devices).
- Residential and commercial property owners could, pending future market and policy developments, receive incentives to install green stormwater infrastructure via stormwater credit or carbon sequestration payments, avoid stormwater utility fees, and lower insurance premiums.

Parks, Plants, and Biodiversity

- Urban forest and green space infrastructure can be funded through State/Federal and utility grants (e.g., IDNR, USDA, MWRD), bonds or Open Space Impact Fees for new developments, and a Group Purchasing mechanism for plants, supplies and services.
- Biodiversity initiatives can be funded through State/Federal and philanthropic grants, establishing a pesticide seller fee program, and expanding the Single-Use Retail Bag fee.

Glossary

Carbon Tax. A tax issued proportionally to the production on carbon-based energy production or greenhouse gas emissions. Tax revenue can be used to provide rebates or dividends to residents impacted by the source, or to taxpayers to accommodate for higher energy prices, or used to fund climate action projects. Seeks to reduce greenhouse gas emissions by disincentivizing actions that result in emissions.

Community Choice Energy / Municipal Aggregation. A type of group purchasing organized by the local governmental authority, combining the energy demand of many or all members of the community to achieve energy goals, such as lower prices or purchase of renewable energy. The Village of Oak Park has an ongoing municipal aggregation program.

Developer Impact Fees. Fees triggered by new development, to offset the cost of existing infrastructure improvements, negative impacts resulting from the development (e.g., more traffic congestion), or new service capacity requirements (e.g., stormwater management). Impact fees can be used to fund green infrastructure and other forms of sustainable development.

Energy Efficiency Loans. Available from the State of Illinois, through the energy utility, to make low interest rate loans to individuals or small businesses.

Fee-Bates and Density Bonuses. A standard fee is charged to all units that is rebated if developed property meets a minimum standard. Can be used to encourage implementation of sustainable features into properties currently in development.

General Obligation Bond / Lease Revenue Bond. Local governments issue general obligation bonds to investors with the promise to repay with a level of risk, over a certain time period, and with a certain return on investment. A lease revenue bond is secured by lease payments made by the party leasing the facilities that were financed by the bond issue. Brings immediate capital to projects that will be repaid over the life of the asset.

Grants. Organizations can consider and apply for grants from philanthropic foundations and Federal and State agencies for many sustainability and climate projects. By developing relationships with mission-aligned organizations, organizations can co-develop collaborative grant proposals that can improve access to funding for innovative programs.

Green Bank / Green Bond. Green Banks provide tailored financing for clean energy and other climate and sustainability projects. Green bonds are bonds for projects with demonstrable positive environmental benefits, attractive to investors with environmental interests or screening protocols.

Infrastructure Investment Fund / Infrastructure Bank Financing. Infrastructure funds and banks provide financing tailored to infrastructure's long construction times and payback periods.

Group Purchasing. Group purchasing enables individuals, businesses, and local governments to greatly reduce the cost of installing clean energy and sustainability solutions through collective purchasing power. Group purchasing secures discounted pricing by buying in bulk. Can be combined with other financing mechanisms (e.g., solar leases, PACE), to install solar at little to no upfront cost.

Loan-Loss Reserve Fund. These programs can be used to provide financing with lower interest rates for borrowers who may be considered higher-risk under conventional underwriting practices.

Mini-Bonds. Mini-bonds are smaller, more consumer-focused bonds that can play a “crowdfunding” role for local projects, generating community interest and support.

On-Bill Financing. Used by energy utilities to help customers fund energy improvements through repayment on their utility bill. The State of Illinois offers energy efficiency loans through on-bill repayment to the utility.

Parking Benefit District. A share of parking revenue is reinvested into the district, supporting local improvement projects.

Pay-For-Success / Pay-For Performance. A vendor will provide a service, such as a facility energy efficiency upgrade, and be compensated over time through the energy savings of that service. Pay for Performance contracts can finance energy improvements with little to no upfront costs.

Power Purchase Agreement. A contract between the seller of electricity and the purchaser of electricity, defining all terms, operation, schedule, penalties, payment, and termination. Allows governments to fund renewable projects with minimal upfront costs incurred. The Village of Oak Park’s Community Choice Aggregation program can execute a power purchase agreement.

Pre-Development Fund. Investors with environmental interests or screening protocols could establish a fund to provide capital for sustainable infrastructure projects that the traditional marketplace not yet fully understood.

Property Assessed Clean Energy (PACE) Loans. Allows property owners to finance sustainable energy investments over the property tax bill. Repayment terms will stay with the property even if it changes ownership. The State of Illinois has authorized commercial PACE programs administered through County agencies.

Public Benefit Fund. Pools of funds created by small fees or surcharges on the utility bill, used to support public interest programs such as free energy efficiency programs for residents.

Resilience Bonds. Resilience bonds capture the savings of avoided damage from extreme weather, by linking disaster insurers and project developers.

Social Impact Bonds. Private capital used to provide upfront capital, repaid through future social benefits (“savings”). Social impact metrics must be established and independently verified.

State Revolving Funds. State revolving funds provide capital for projects; new projects are paid for with funds repaid by previous borrowers. The State of Illinois operates the Clean Water SRF and Drinking Water SRF for stormwater and drinking water infrastructure.

Tax Increment Financing (TIF). TIF and Business Improvement Districts divert incremental new taxes into a fund that supports new development or debt repayment. Assumes that taxes will increase after an initial improvement to the district. Can be used to fund green infrastructure and other local sustainability projects.

Traffic Congestion Pricing. Parking or on-road toll fees assessed to auto drivers traveling in or out of the downtown/central area during business hours. Illinois State Toll Highway Authority has authority to impose traffic congestion pricing on toll roads.

Value-Capture: Special Assessment. Additional tax assessed depending on increase in the value of the community or district because of a public investment in infrastructure, such as improved transit access. Can be used to invest in green infrastructure.