DOWNTOWN ENERGY SAVING GRANT PROGRAM
Ann Arbor Downtown Development Authority / Susan Pollay, Executive Director

Filling the gap left by the expiration of numerous stimulus funded energy conservation programs, the Ann Arbor DDA is the first DDA in the country to step forward and initiate a widespread energy efficiency and renewable energy program for its downtown businesses. The Ann Arbor Downtown Development Authority (DDA) is reinvesting tax dollars and parking revenues to create healthier downtown businesses by providing free energy audits and incentives to install energy saving measures for downtown businesses. By investing in property improvements for downtown businesses the DDA is increasing the value of the downtown buildings while simultaneously helping participating businesses to lower operating costs and increase profits. It is also providing vital employment for struggling local architecture, HVAC and construction businesses. This is a leading program in the Ann Arbor community’s efforts to move to more sustainable energy use and reduce greenhouse gasses.

Started in 2008, the program has invested more than $600,000 in over 125 participating businesses. A free Technical Energy Analysis (following the Rebuild America Guidelines for Technical Energy Analysis) provides each business with a description of current energy use and a prioritized list of energy saving options. The detailed quality of the energy audit provided for free to each participating business ensures that business owners learn how energy is used in their business, what it costs them annually, and options to reduce those costs. Once the energy studies have been delivered and explained to the client businesses, a second phase of the DDA program then offers rebate funds up for to 50% of the cost of installing recommended energy improvements.

This program was created with the knowledge that other larger, better funded, energy conservation programs (such as Property Assessed Clean Energy (PACE) financing and the Michigan Saves Program (an energy conservation loan program) were being planned. This DDA energy program, because it was not tied to federal or state grant funds, was able to achieve a very quick start-up and was, from the start, intended to serve as a pilot program to enable better design and implementation of larger programs to follow. This DDA funded program was also able to adapt and change program parameters to address the many issues and barriers that were discovered. For instance, a zero interest loan program was added after the first year to address the barrier of tight cash flow that many of the small businesses are currently experiencing, which was preventing them from investing in even very quick payback energy improvements. This loan program has also assisted the local government in identifying the many legal and bureaucratic hurdles necessary to issue loans to private businesses, which has been very helpful in designing the planned PACE loan program in Ann Arbor.
The goal of the Ann Arbor Downtown Energy Efficiency Grant Program is to assist downtown business owners to understand the energy use and costs in their businesses, to identify energy waste and provide ideas to reduce energy costs to lower overhead to increase profits and then provide incentives to each business to install energy efficiency improvements. Improving energy efficiency contributes to healthier downtown businesses, invests in improving the quality of downtown buildings, creates local jobs and contributes to the community wide sustainable energy goals. Another goal was to utilize this as a pilot program with lessons learned in operating and funding this program made available for the anticipated startup of larger, better funded, energy conservation programs (such as Property Assessed Clean Energy (PACE) financing and the Michigan Saves Program) that are being planned for statewide services. A third goal was to provide a new source of income for local architects and builders struggling to make ends meet in today’s tough economy.

The idea for this program first originated when DDA Director Susan Pollay asked the local energy expert, (soon to retire) Ann Arbor Energy Coordinator David Konkle, what kind of energy program he would create for downtown businesses if he had a half a million dollars. He described a program of free, high quality energy audits and 50% rebates up to $20,000 for any business that installs energy saving measures. After retirement, the DDA challenged Mr. Konkle to create and direct the program he described, which he accepted. The program is now in its fourth year, and been wildly popular and successful. Although the program has not yet spread beyond the Ann Arbor DDA district, the concept of a downtown development authority offering an energy program to businesses in its territory could easily be replicated by DDAs, Business Improvement Districts and Merchants Associations across the Midwest. Michigan alone has over 130 DDAs. We have already begun working with the Michigan Downtown Association and the Michigan Main Street Program on plans to spread information about the Ann Arbor DDA program throughout Michigan. This is a win-win because the program is an excellent fit with the generic downtown association’s goal of creating a healthy environment to attract and maintain businesses in the downtown area, and its popularity with the downtown businesses creates a very positive relationship between the downtown association and its member businesses.

The Ann Arbor program is distinguished from other energy conservation programs in Michigan and the Midwest because of its funding source, a Downtown Development Authority, and because of the program’s flexibility. The flexibility of the program to adapt to achieve its primary goal of providing energy information and incentives to any business interested in improving their energy efficiency has allowed it to serve a wider, more diverse range of businesses than other, existing energy conservation programs in Michigan. This is the first energy conservation program to be able to serve all downtown businesses regardless of size or building ownership (see the “Challenges” section). The quality of the energy audit provided for free to each participating business (following the Rebuild America Guidelines for Technical Energy Analysis) is higher than many similar energy audit programs and ensures that business owners learn how energy is used in their business, what it costs them annually, and options to reduce those costs. The DDA rebate funds offered for 50% of the cost of approved energy improvements up to $20,000 (combined with available utility incentives) has made this one of the most attractive energy conservation programs in the US. The programs popularity with local businesses and success rate in educating business owners to reduce energy use outperforms all other energy conservation programs available to downtown businesses.

Our research revealed only one program remotely similar to the Ann Arbor DDA program in the Midwest, the much larger in scope, State of Iowa Green Streets program which has an impressive energy conservation component for its two small pilot communities recently started to improve the downtown areas. The budget for the pilot program for one of the small Iowa communities with a population of
The Ann Arbor program is much smaller and is a very simple, totally local based program, conceived and executed locally with a budget of $650,000. It is focused solely on energy for downtown commercial businesses in a community with 115,000 people. The Ann Arbor program partnerships involve only the DDA, the business and the energy audit provider. The Iowa Green Streets program originates from the State level and is quite complex, involving various grant fund sources, many rules and many agency partners including IDALS, USDA, DCA, IDPH, DOT, DNR, DOE, SWCD, EPA, IEC and UIU (from their website - to name a few). The Ann Arbor DDA program was started with a DDA resolution in June, 2008 and implemented in September 2008 with 45 applications accepted the first year. The Iowa pilot programs were also begun in the Fall of 2008. The Iowa Green Streets program encompasses all forms of sustainability and planning for both residential and commercial properties (energy conservation, water conservation, sustainable materials, healthy living etc). The Ann Arbor DDA program differs from the Iowa program in its local origination, implementation and simplicity.

The initial goals of the program, to educate downtown business owners about their energy use and assist them to reduce energy costs to lower overhead and increase profits have been met and exceeded. As a "first of its kind" pilot program, the Ann Arbor DDA was unsure of just what level of success to expect. By keeping the program flexible enough to be true to its mission of helping all businesses, big and small, the popularity of this program with the downtown business community has been tremendous. This is an ongoing program whose limitations are based solely on available funding. Each year, for the first three years we were able to provide energy audits for an average 40 businesses per year, well beyond our initial projection of 20 businesses per year. Therefore, our project goals were met (actually doubled) within the time frame projected. The DDA budgeted $200,000 or $250,000 to the program for each of the first three years. All of those funds have been expended or committed. . The great popularity of the program has grown demand for it beyond our current budget resources, which is a problem, but being too successful is not a bad problem.

The secondary goal of serving as a pilot program for anticipated larger, better funded energy conservation programs has also been met. The extensive “Lessons Learned” section in this application is evidence of that.

The goal of providing income for struggling local architects and builders has been met. Of the $500,000 in funding the Ann Arbor DDA has spent so far, $300,000 has gone to local energy auditors (mostly architects) and $175,000 in rebates has been awarded to local businesses, generating over $680,000 in energy improvement installations providing additional work for local contractors.

Therefore, all our project goals were met or exceeded within the budget projected

Total DDA funds spent on this program through August, 2011 were $495,800 with an additional $150,000 committed to energy audits in progress, energy improvement projects in progress and program oversight. A comprehensive set of spreadsheets was created to track all aspects of the program. One very large spreadsheet contains the results of each of the over 100 energy audits completed thus far, tracking energy costs and energy saving opportunities in detail for every audit for each business. This spreadsheet documents over 1,449,000 sqft of commercial space audited with total annual energy costs of over $3.4 million. The energy audits identify over $4.2 million that could be invested in recommended energy saving opportunities, estimated to save $864,000/yr in energy costs. Another spreadsheet documents the 28 energy improvement projects completed thus far at an installed cost of $684,000. DDA has awarded $176,000 in rebates to these completed projects that will generate
an estimated $89,000/yr in energy cost savings. This data is currently being analyzed by graduate students at the University of Michigan’s Erb Institute for Sustainable Business.

The program goal was simple; provide free energy audits to any downtown area businesses interested in learning how to reduce their energy costs, and offer rebates as incentives to install any recommended energy saving measures. It was quickly discovered that there were many challenges to be addressed for this "simple" program to succeed. The first challenge, and the one that has stymied existing energy conservation programs including ones offered by public utilities and the Retired Engineers Technical Assistance Program (found in some Midwest states), is that very few downtown buildings are owned and occupied by a single business. The more likely case was to find that the building owner is a partnership or trust that rents space to more than one to three separate retail businesses on the first floor and also rents space for offices or apartments above. Each one of these businesses may, or may not get its own gas and/or electric bills. What do we do with an application from a bookstore business housed in a building that also houses a small restaurant and three rental office spaces upstairs and the landlord is not available to cooperate? What if the owner of the building is interested in an energy study, but can't convince all of the tenants to participate? What do we do if we can only get utility bills for a portion of a building? What if we get an application from a building owner whose building is currently unoccupied, he has past energy bills when it used to house a bank, but we do not know what the future business may be, probably a restaurant? To solve every one of these questions and more, we elected to remain true to our goals. If you were a bookstore owner and you wanted to learn how to save energy in your business, we would provide you with an energy audit and incentives. We would try to get you to encourage your landlord and the other businesses in the building participate along with you, but no matter what the outcome, we would get you an energy study of your business. If an owner of a building was interested but some of the tenants were not, we would still perform the energy study to the best of our abilities on the spaces we had access to and provide valuable information and recommendations. If we did not have a good energy use history for a building, or only data for part of the building, or the use of the building was changing, we would do the best we could with what we had to offer valuable information and recommendations. In every case, if they were interested, we would find a way to work with them.

The second challenge came from identifying quality energy auditors to participate in the program. We utilized an RFQ process to select energy auditing companies but, because of the stimulus funding available for energy programs at the same time, most professional energy auditors were overwhelmed with demand. Our most reliable energy auditors turned out to be local downtown architects who were short on normal design work and desperate to keep cash flowing to avoid layoffs or closure. This solution was very positive in helping keep businesses and jobs in the downtown area.

A third challenge came from not realizing how popular the program would become. With an average of 40 applicants per year, our energy auditors were overwhelmed and audits could sometimes take up to a year to completion. A very few participants were annoyed at this delay, but we took it as a positive sign of their interest.

Another challenge was to discover businesses that were very eager to install quick-payback energy saving measures but did not have the cash-on-hand available to implement them, even with the DDA 50% rebate. To solve this problem, DDA partnered with the City of Ann Arbor’s Energy Office to utilize $70,000 in federal stimulus grant funding to create a revolving loan fund that provides zero-interest loans up to $10,000 for DDA program participants. This revolving loan fund has enabled a number of struggling businesses to lower their energy costs while maintaining positive cash flow.
The biggest problem was, due to the popularity of the program, we ran out of rebate funds half-way through the third year. The DDA Board has approved an additional $100,000 for the program but demand for rebates has forced us to reduce the available rebates from $20,000 down to $5,000 and put more stringent guidelines on eligibility for rebates (such as reducing the minimum payback period from 8 years to 5 years). Even with these measures, future demand will outstrip available funds. We are currently searching for grants, donations or partnerships to increase available funds for rebates. I suppose it is not the worst problem to succeed beyond your resources.

The Ann Arbor Downtown Development Authority's "Downtown Energy Conservation Grant Program" is the first energy conservation program funded by a local downtown development authority for all downtown commercial businesses, conceived and piloted right here in Ann Arbor.

The program has been highly successful in providing energy services to what has proved to be a very difficult commercial business sector, “downtown businesses”. With a wide variation in business sizes and energy use types, and with a predominance of multi-use buildings with complicated ownership definitions, most utility and grant funded energy conservation programs have not been able to fully serve the "downtown businesses" sector. The flexibility of the Ann Arbor DDA program, along with strong adherence to the goal of serving all downtown businesses interested in reducing their energy cost, has created the first highly successful model for an energy conservation program for this “downtown businesses” sector.

Although this program has not yet expanded to other downtown associations in Michigan or the Midwest, it is an excellent model of an energy program that is a perfect fit for all downtown associations (DDAs, Business Improvement Districts, Merchants Associations) working to invest in a healthy, sustainable downtown. The Ann Arbor DDA has already begun working to expand information about this program throughout Michigan.

Finally, this program has brought energy awareness and enthusiasm for energy conservation to a large portion of the downtown businesses in Ann Arbor. With over 125 businesses currently participating, and a strong demand for the program to continue to grow, this program has been more wildly successful than ever dreamed of when first conceived in 2008. Please read the attached "testimonials" to get a sense of how popular and influential this program has been for downtown businesses. This program is a pride of the Ann Arbor community.

**Contact information:**
Name: David Konkle, Energy Programs Director  
Phone: 734 323-2828  
Email: dkonkle@a2dda.org  
Website: [www.a2dda.org/current_projects/downtown_energy_saving_grant_program/](http://www.a2dda.org/current_projects/downtown_energy_saving_grant_program/)