



**ILLINOIS
FINANCE
AUTHORITY.**

**ILLINOIS
CLIMATE
BANK**

**Climate & Equitable Finance
Public Ideas Workshop: March 17, 2023**

1. What is the Illinois Finance Authority / Illinois Climate Bank?
2. Review of Stakeholder Engagement to date
3. Federal Funding Opportunities to seed efforts
4. Identifying Market Gaps
5. Climate & Equitable Finance Ideas
6. Next Steps



The General Assembly designates the Authority as the Climate Bank to aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in the State.

**– Climate & Equitable Jobs Act, 2021
(20 ILCS 3501/850-5)**



CLIMATE BANK PURPOSE

- (1) **the distribution of the benefits of clean energy in an equitable manner**, including by evaluating benefits to eligible communities and equity investment eligible persons;
 - (2) **making clean energy accessible to all**, especially eligible persons, through financing opportunities and grants for minority-owned businesses, as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, and for low-income communities, eligible communities, environmental justice communities, and the businesses that serve these communities; and
 - (3) **accelerating the investment of private capital into clean energy projects in a manner reflective of the geographic, racial, ethnic, gender, and income-level diversity of the State.**
- Climate & Equitable Jobs Act, 2021 (20 ILCS 3501/850-15)



CLIMATE BANK POWERS

ADMINISTER
PROGRAMS

SUPPORT CLEAN
ENERGY / WATER

JOINT VENTURES
& INVESTMENTS

PROVIDE WORKING
CAPITAL

REFINANCE

SOURCES OF FUNDS

The Illinois Climate Bank is self-sustaining, and does not receive an appropriation from the State General Revenue Fund.

STATE / FED
FUNDS

GIFTS / GRANTS/
LOANS

RAISING PRIVATE
CAPITAL

EARNINGS AND
INTEREST

IFA Climate Bank Transformation Roadmap



ILLINOIS FINANCE AUTHORITY | ILLINOIS CLIMATE BANK

MARCH - AUGUST 2023



Identify:

Deploy current resources / gather partners to apply for federal funds

Mobilize IFA staff to...

- Develop competitive federal grant applications.

Engage potential partners to...

- Develop competitive applications and to have partners to deploy funds when applications are successful.



Apply:

Develop & submit winning applications for federal funding

Secure ~\$1.2 billion in federal funds:

- EPA - GGRF
- DOE - GRIP
- DOE - 40101(d)
- DOE Revolving Fund
- SSBCI
- RECI
- More

Re-design IFA organization to operate Climate Bank as financially sustainable organization consistent with new federal funding sources and objectives.



Implement:

Deploy fed funds in a sustainable manner through leverage

Support CEJA goals through climate finance and program deployment.

Deploy new standardized financial tools to reduce the cost of de-carbonization for ordinary people and marginalized businesses in a fair & equitable manner.

Significantly expand Illinois climate finance efforts by securing U.S. DOE Federal Loan Guarantee for \$10b - \$20b of investment.

Day-to-Day Core Business Activities: Issue conduit bonds



INITIAL EFFORTS



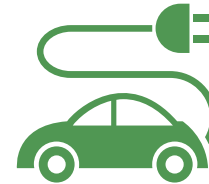
U.S. EPA GREENHOUSE GAS REDUCTION FUND

\$280m - \$1.08b
to seed Illinois Climate
Bank and Illinois Jobs &
Justice Fund Activities



U.S. DOE 40101(d) GRID RESILIENCE

\$8m/yr for 5 yrs
to improve reliability and
resilience, particularly in
disadvantaged
communities



U.S. DOE GRIP PROGRAM

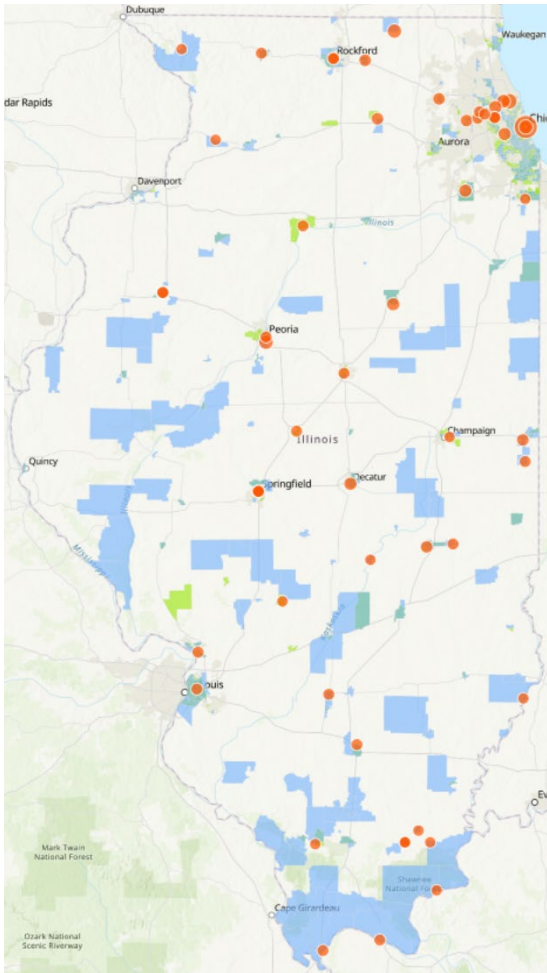
\$138m
to accelerate
transportation
electrification in rural and
small-town communities



U.S. DOE EE REVOLVING LOAN FUND

\$15.3m
to finance building
retrofits and to provide
working capital to
minority contractors

In 2022 (first 12 months of the IFA's Climate Bank designation):



- **\$256 million*** in private capital mobilized and deployed
 - \$233 million* for public water quality infrastructure through State Revolving Fund in partnership with IL EPA
 - \$23 million* for Commercial Property Assessed Clean Energy Bonds (C-PACE) with no public subsidy
- **65%*** of these investments, funded by private capital, were made in or benefit disadvantaged communities.

(*Preliminary and unaudited)

ENERGY EFFICIENCY REVOLVING LOAN FUND

US DOE

\$15.3M for State of Illinois

- Providing capitalization grants to States to establish a revolving loan fund to provide loans and grants for energy efficiency audits, upgrades, and retrofits.
- State must attract private capital to the maximum extent practicable.
- Loan repayments must be recycled to further program activities
- Eligible applicants: States
- **Next Steps:** Proposal due April 21, 2023.



OPPORTUNITY:

The Illinois Finance Authority (“IFA”), in its role as the Illinois Climate Bank, will work with Illinois EPA to secure federal dollars to develop a new state revolving loan fund to: Accelerate the state’s clean energy, climate, and equity goals, as established in Illinois’ recent Climate and Equitable Jobs Act; Ensure the benefits of the clean energy economy are equitably distributed & accessible to all; and overcome barriers to public and private capital access for BIPOC businesses & communities.

NEXT STEPS:

The State must submit its proposed plan to the U.S. Department of Energy by April 21, which must show how the state will be able to offer a loan product within 180 days. The IFA will work to identify financial tools that can be deployed quickly to complement existing audit and retrofit incentives, particularly for minority-owned contractors.



GREENHOUSE GAS REDUCTION FUND

USEPA

Targeting **\$280 M - \$1.2 billion** for the Illinois Climate Bank

- Provides competitive grants to states, municipalities, tribal governments, and other entities to support low and zero-carbon technologies and can act as seed capital for green banks.
- Must prioritize projects that would not otherwise have access to financing, and must be evergreen.
- Can be used to establish a green bank itself.
- ~\$12 billion for green banks broadly, and an additional \$15 billion for green banks focused on low-income and disadvantaged communities.
- **Next Steps:** Funding details released Summer 2023

OPPORTUNITY:

The U.S. Environmental Protection Agency has \$27 billion available to provide to state- or local-organized green banks by 2024. Green banks provide project financing for projects that would not otherwise have access to financing, and must recycling repayments back into the fund.

NEXT STEPS:

Illinois Finance Authority, in its role as the Illinois Climate Bank, will put together a comprehensive proposal on behalf of the State of Illinois to launch a large-scale initiative to support the state's efforts to reach 1 million electric vehicles by 2030, expand access to distributed generation for low- and moderate-income residents, and achieve its clean energy goals. The IFA will leverage federal grant dollars as seed capital, and grow financing to a size necessary to make a significant impact on the achievement of state energy, climate, and equity priorities. Details will be released by U.S. EPA in Summer 2023 with funds distributed by 2024.

DOE EE RLF

STAKEHOLDER COLLABORATION

- Interagency coordination
- Small Group Meetings
- Development of Guiding Principles for Equitable Climate Finance with community partners
- Delegation to meet with U.S. Department of Energy
- **March 14: Equitable Climate Finance - EE Revolving Loan Fund Ideas Workshop**

STAKEHOLDER SURVEYS

- Climate & Equitable Finance: DUE March 24



STAKEHOLDER
INPUT RECEIVED



EQUITABLE CLIMATE FINANCE

- Identifying market gaps in access to clean energy that can be addressed by new finance tools
- Identifying the biggest needs for new, BIPOC-owned businesses in clean energy space
- Developing methods to maximize and mobilize private capital?
- Establishing appropriate metrics for success

Climate & Equitable Finance Market Gaps

Q: What are some of the biggest hurdles disadvantaged communities and businesses face in accessing the clean energy economy?



Single family homes/residents

- Low-income projects can't access ITC.
- Low-income homes require significant upgrades.
- Lack of ownership of homes for LMI.
- LMI skepticism and lack of trust in energy system.
- High cost of customer acquisition
- Smaller companies can't get capital to scale.



Multifamily build./residents

- Difficult to develop solutions for renters.
- No focus on landlords.
- Split incentives.
- Metering issues.
- Limited space.
- Coordination is labor-intensive



Commercial/Public buildings/tenants

- No loans for smaller projects.
- High upfront costs for consultants/assessments.
- High upfront costs for schools.
- No finance structure for roof replacement.
- Local governments don't have capital for infrastructure.
- Partnership flip model is expensive.
- Municipal buildings stuck behind franchise agreements



BIPOC Businesses

- Lack of \$\$ to BIPOC contractors, black women contractors.
- Lack of capital for construction phase.
- Time gap until REC payments.
- Lack of knowledge of opportunities.
- Lack of back-office.
- Can't offer tax equity finance product.
- Securing bonds.
- Underwriting depends on historical revenue.
- Lumpy revenue.

DISTRIBUTED GENERATION

Climate & Equitable Finance Market Gaps

Q: What are some of the biggest hurdles disadvantaged communities and businesses face in accessing the clean energy economy?



Single family homes/residents



Multifamily build./residents



Commercial/Public buildings/tenants



BIPOC Businesses

ELECTRIC VEHICLES

- Difficulty working with landlords/associations to install EVSE.
- Lack of electrical capacity.
- No solution for street parking.

- Lack capital budget for purchase/margin.
- In small towns lack grid capacity.
- Federal School Bus rebates a lottery.
- School buses need longer loan payback periods than typical contract terms.
- Fleet electrification requires long-term planning.
- Small fleets difficulty.
- Depots/garages need upgrades, fire suppression, space.

- Supply chain delays, and BIPOC businesses often last in line.
- Undefined ownership models for small contractors.

Climate & Equitable Finance Market Gaps

Q: What are some of the biggest hurdles disadvantaged communities and businesses face in accessing the clean energy economy?



Single family homes/residents

- Lack of awareness
- Electric panel upgrades
- LMI can't access tax credits.
- LMI don't have cash for remaining 25%.
- Financial terms (liens/disconnection) can be harmful.
- System purchases only when equipment breaks.
- Bill savings across electric & gas bill.
- How to sequence.



Multifamily build./residents

- Lack of focus on landlords.
- Electrical panel and service upgrades.
- LMI can't access tax credits.
- Limited solutions for boiler/radiator replacement.
- Hard to stack programs to gain true benefit.



Commercial/Public buildings/tenants

- Mid-size buildings may face space constraints.
- Major HVAC investments only made when changing hands.
- Local governments lack capital for infrastructure.



BIPOC Businesses

- Opportunity for small BIPOC HVAC contractors, but lack experience with heat pumps.
- Expenses first, rebates later.
- Lack of standardized finance tools to offer to potential customers.

BUILDING ELECTRIFICATION

Climate & Equitable Finance Market Gaps

Q: What are some of the biggest hurdles disadvantaged communities and businesses face in accessing the clean energy economy?



Single family homes/residents

- Existing home conditions (mold, asbestos, leaky roofs)
- Projects require money upfront (tax credits, rebates come later)
- LMI can't receive tax credits.
- Unscrupulous contractors.
- High cost of customer acquisition.



Multifamily build./residents

- Lack of focus on landlords.
- Existing conditions (mold, asbestos, leaky roofs)
- Split incentives
- All buildings are different - difficult to standardize.



Commercial/Public buildings/tenants

- Projects aren't ready for financing.
- ESCO opportunity focused on large \$ projects.
- Commercial building owners focused on 3-5-year projects only.
- Public sector / non-profits have difficulty finding remainder of capital stack.
- Municipal franchise agreements disincentive EE.
- Limited C-PACE reach.



BIPOC Businesses

- Hard to gain experience for larger projects.
- Expenses first, rebates later.
- Lack of standardized finance tools to offer to potential customers.

ENERGY EFFICIENCY

Climate & Equitable Finance Opportunities



ILLINOIS FINANCE AUTHORITY | ILLINOIS CLIMATE BANK

LONG-TERM

Standard
LMI solar
lease

Cash gap
for
homes

Building
Electrifica
tion Loans

Public
Building
Project
Finance

Commerc
ial PACE

20-Year
Solar
Schools

JVs with
mentors

\$1m+ for
Primes

Retrofit
Standard
Offer
Loan Loss
Reserve

MEDIUM-TERM

Tax
Equity
Finance
Pool

School
Bus

Capacity
Building
for BIPOC
businesses

SHORT-TERM

Bridge Loans
for Tax
Credits/
Direct Pay

Bridge
Loans for
RECs/
Rebates

Tech.
Assis.

Support
local
RLF's

RECURRING

Comm-
unity
Portfolios

Loans
for
Training

Bonding
support

Back-
Office
Support

Working
Capital for
BIPOC
businesses



STAKEHOLDER
INPUT NEEDED



EQUITABLE CLIMATE FINANCE

- Identifying market gaps in access to clean energy that can be addressed by new finance tools
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DOE EE RLF

STAKEHOLDER SURVEYS

- Climate & Equitable Finance Programs: DUE March 24

Questions?

March 17, 2023

Illinois Finance Authority

160 N. LaSalle Street, Suite S-1000

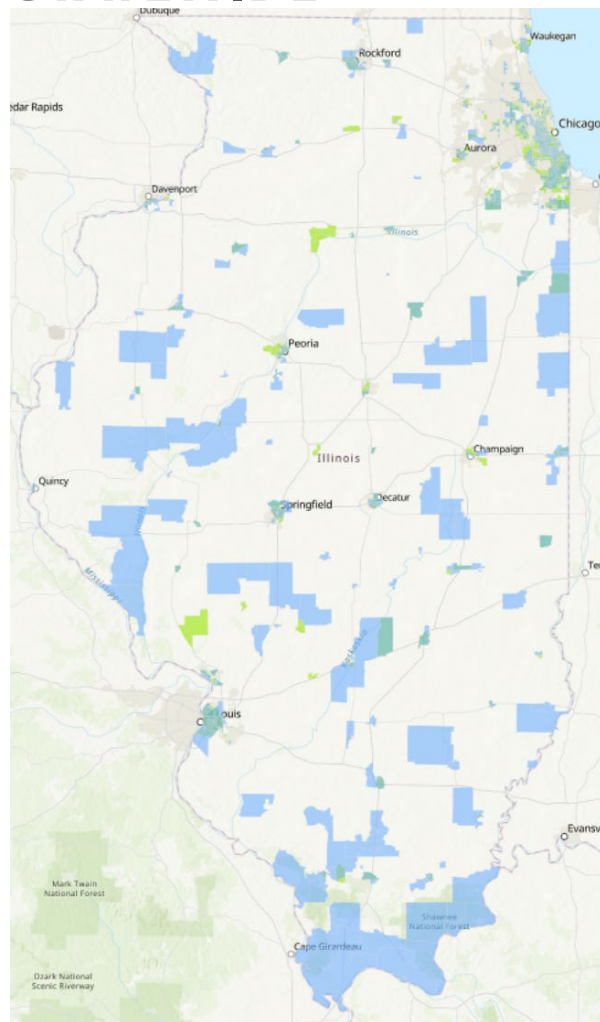
Chicago, IL 60601

Will Hobert, Chair
Chris Meister, Executive Director www.il-fa.com



Prioritizing EIECs and DACs

STATEWIDE



EQUITY INVESTMENT ELIGIBLE COMMUNITIES (EIECs)

CEJA-designated environmental justice communities, based on low-income population and pollution burden, or “Restore.Reinvest.Renew” communities, based in part by rates of gun injuries, child poverty, unemployment and incarceration

FEDERAL DISADVANTAGED COMMUNITIES (DACs)

Federally-designated communities based on the White House Climate and Economic Just Screening Tool as developed as part of the Justice40 initiative.

BOTH

CHICAGO AREA

