



RFP for Market Research for Michigan Saves Commercial Energy Loan Program

PURPOSE

Michigan Saves is developing the Commercial Energy Loan Program (program) for businesses to finance energy efficiency improvements, as outlined further below. To support this effort, Michigan Saves is seeking to hire a consultant to conduct market research to identify barriers and opportunities for **financing** energy efficiency improvements, primarily in the retail food sector. The research will be used to inform the design, delivery, and marketing strategies of the Commercial Energy Loan Program to reach the goals stated below. The scope of the research is statewide, but the findings should be disaggregated by appropriately defined subregions, as determined by the consultant in coordination with Michigan Saves.

BACKGROUND

General Overview of Michigan Saves

Michigan Saves is a nonprofit organization dedicated to making energy improvements easy and affordable. Michigan Saves leverages third-party capital with innovative credit enhancement mechanisms, authorizes a network of energy efficiency and renewable energy system contractors, and monitors the program to track results and ensure success.

Under the general program framework, Michigan Saves manages a loan loss reserve fund that lenders can access in order to provide loans at more affordable rates and terms. Loans are issued for energy-saving measures or related health and safety measures. Contractors who become authorized under the program are trained in program financing options and requirements, and can then promote the Michigan Saves loan to their customers. Michigan Saves manages the overall program and support functions such as lender and contractor recruitment and enrollment, program development and design, branding/marketing, quality assurance, impact monitoring, and financial management of the loss reserve. Michigan Saves has grant funding from the MPSC and U.S. Department of Energy, as well as a small amount of program revenue (contractor fees), which is used to fund these activities, including the credit enhancements.

In addition to the Michigan Saves commercial program that is the subject of this RFP, Michigan Saves administers the following programs:

- Home Energy Loan Program (available statewide for affordable unsecured loans)
- Home Mortgage Program (launch late summer 2011)
- BetterBuildings for Michigan (June 2010–May 2013)

Additional details about Michigan Saves can be found in Attachment 1.

Goals and Key Features of Commercial Energy Loan Program

Michigan Saves has a pilot project for energy efficiency business loans in the city of Detroit in partnership with Enterprise Detroit and DTE Energy (see Attachment 2). Michigan Saves will be scaling up the pilot's marketing activities later this summer and throughout the fall in order to issue 40 loans by the end of 2011. The pilot is focused on the retail food sector but is open to other types of establishments (must be located in the city). It is expected that the Detroit program will continue beyond 2012.

On a parallel track, Michigan Saves is currently designing the financing and programmatic framework for a statewide program targeting the retail food sector. This program will consist of restaurants, groceries, and convenience stores, with the goal of reaching 2 percent of this market sector annually beginning in 2013 (250 projects financed).¹ The program is expected to be available to businesses outside Detroit in early 2012 or sooner. Goals for the city of Detroit and statewide goals are summarized in the table below.

Year	Program	Annual Volume	Target Market*
2011	Detroit	40	Businesses in city of Detroit (focus on retail food but open to other types of establishments)
2012	Statewide	40	Retail food establishments located anywhere in state
	Detroit	40	Businesses in city of Detroit (focus on retail food but open to other types of establishments)
2013 (and thereafter)	Statewide	250	Retail food establishments located anywhere in state (open to all businesses after 2013)

* The market research should focus on the retail food sector but may also consider related sectors such as wholesale food producers, storage, or distributors within Detroit and statewide and provide insights on other types of businesses that may be good candidates for financing based on the consultant's research and analysis.

The program parameters are currently under development but the key features, which are subject to change, are as follows:

- Average financed amounts are expected to be \$40,000. Loan sizes in the Detroit pilot range from \$10,000 to \$150,000. Minimum and maximum financed amounts for the statewide program are yet to be determined, but are expected to be similar to the Detroit program. Rates are not expected to exceed 5 percent.

¹ The program will focus on small (fewer than 50 employees) and locally owned/independent businesses classified as retail food. According to the U.S. Census, there are 10,680 building sites in these market segments (6,839 restaurants, 2,330 grocery stores, and 1,511 convenience stores). Two percent is 250 buildings.

- Financing is expected to be underwritten through a centralized entity using a streamlined process; loan servicing would be performed by participating lender(s).
- Financing will be supported by credit enhancements provided by Michigan Saves under an agreement with participating financial institution(s).
- As referenced above, the statewide program will be available to businesses in the retail food sector through 2013 and then expand to all types of businesses after 2013 (earlier in the city of Detroit).
- The cost to perform energy audits, which are not required, can be rolled into financing. The scope of audit is being determined but is expected to align with American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) and other accepted industry standards. Measures are eligible for financing without an energy audit if they are eligible for utility rebate (either prescriptive or custom utility rebates). Michigan Saves has a goal of reaching 20 percent energy savings (total natural gas and electricity consumption of occupied space), but there is not a minimum savings requirement.
- Michigan Saves will recruit a network of authorized contractors, including energy auditors and installation contractors, to promote the loan program to businesses; among other things, contractors will be responsible for completing program forms to document energy-saving installations and related savings.
- Program is expected to be marketed primarily through contractors, electric and natural gas utilities, and other partners. Michigan Saves will provide marketing support, including the design and production of marketing collateral, which contractors, utilities, and other partners can use and, as appropriate, co-brand.
- Third-party quality assurance, including site inspections, will be performed by Michigan Saves and/or applicable utility program.

SCOPE OF WORK

Proposals should provide a detailed description, budget, and work plan, including timeline, for carrying out the duties outlined in this section. As detailed further below, the consultant shall perform the following tasks.

1. Devise the methodology for the market research, including researchable questions, methods, instruments, and timeline.² It is expected that the methodology may consist of a combination of data mining and analysis; one-on-one interviews with customers, contractors, business organizations, or others; focus group(s); written surveys; and other intelligence gathering. However, Michigan Saves looks to the consultant to present a cost-effective approach in order to answer key questions such as the following within the time constraints that are outlined in tasks 2–4 below:
 - Within the retail food sector, what types of entities are most receptive to financing of energy efficiency improvements and why? Which types of entities are least receptive and why?

² This market research is not a study of energy efficiency potential and should complement, not duplicate, the baseline studies of the energy efficiency potential of commercial buildings commissioned by the Michigan Public Service Commission (MPSC), DTE Energy, and Consumers Energy.

- When and why does a business in this sector decide to upgrade various types of equipment (e.g., end of life)?
- What type of financing is needed and how should it be structured to maximize participation?
- What are the most important features of the financing product and process for this market segment? How sensitive is this market segment to (a) interest rate, (b) projections of positive cash flow as a result of the efficiency investment, and (c) ease and speed of finance product origination and closing?
- What types of financing are currently available and what gaps exist? How does financing for business/facility upgrades currently occur?
- What are the best ways to reach this market sector? Who do they trust and how do they receive their information? Would they find it useful to have Michigan Saves provide technical support to help them through the process?
- What types of contractors are delivering or capable of delivering energy efficiency services to this market sector (i.e., energy audits and installation services with heavy emphasis on refrigeration, building shell, mechanicals, and lighting)? Are contractors the best positioned to drive this program? If not, why?

The consultant is expected to develop the final list of questions and the methodology with input from Michigan Saves.

2. Conduct market research for the Michigan Saves Commercial Energy Loan Program in accordance with the methodology. This could be done as a phased process, where early findings that could influence program design are presented to Michigan Saves prior to the completion of the full assessment. The research must be completed no later than December 2011.
3. Present findings from market research, including a final report that concisely summarizes the key conclusions and recommendations relevant to the design, delivery, and marketing of the program. Final report is due December 2011. Supporting data, including contact information for participating businesses, should be provided to Michigan Saves, except for any proprietary or licensed data sets.
4. Conduct other market research, as assigned by Michigan Saves, in accordance with an agreed upon work scope and budget. (This could be performed on time-and-materials or fixed-cost basis under an approved work scope, and could extend beyond December 2011.)

PERIOD OF PERFORMANCE

The contract would be for up to one year with the majority of work performed August through December 2011. It is possible the term could be extended subject to available funding and if Michigan Saves determines that extension of the contract is warranted and would benefit the program.

CRITERIA FOR SELECTION

Michigan Saves will contract with one or more consultant(s) to provide the services outlined in this RFP, as best meets the needs of the organization. Preference is given to individual proposals that can meet all the following selection criteria.

1. Consultant outlines an appropriate and cost-effective approach to the work.
2. Consultant has experience designing and conducting market research for similar energy efficiency programs in Michigan or other states.
3. Consultant has experience conducting market research for commercial or residential financial products.
4. Consultant has at least a modest understanding of energy efficiency programs, financing, and installations in small to medium-sized commercial buildings.
5. Consultant has general knowledge of the retail food sector, including market characteristics, operations, business climate, and barriers specific to energy efficiency and/or financing.
6. Consultant has experience conducting both qualitative and quantitative research and analysis, including, but not limited to, surveys, focus groups, and in-depth interviews.
7. Consultant has sufficient staff/capacity to move quickly to devise and implement an effective needs assessment under an aggressive timeline.
8. Consultant provides the best value to the project—which is not necessarily the lowest cost proposal—as the provider of the marketing and customer support services sought in this RFP.

CONFIDENTIALITY

The selected consultant may have access to sensitive information regarding customers and authorized contractors and, therefore, consultant staff members must sign a non-disclosure agreement. Moreover, the organization(s) must demonstrate to Michigan Saves that it has procedures in place to prevent the inappropriate or illicit use or sharing of this information.

SUBMISSION REQUIREMENTS

- Identify and detail your approach to successfully completing each of the elements of the scope of work outlined in this RFP (criteria 1 above).
- Identify your relevant past work, capacity, and the expertise of proposed staff in a manner responsive to selection criteria 2–7 outlined above.
- Identify all subcontractors to be used to implement the scope of work; include the names of key personnel, relevant individual and organizational experience, and assurances related to conflict of interest.
- Provide an estimate of direct costs needed to complete the scope of work, to the extent possible, and include a schedule of rates. Any costs that may not be included in the budget should also be identified (e.g., incentive payments/stipends for customer participation in surveys).
- Include any other information that you believe Michigan Saves should consider.

Proposals should provide a straightforward, concise description of consultant's ability to meet the requirements of the RFP. You may submit the response by sending two hard copies to:

Monica Torres
Public Sector Consultants Inc.
600 W. Saint Joseph St., Suite, 10
Lansing, MI 49833

or by e-mailing a single copy in Adobe Acrobat format to:

forms@michigansaves.org

E-mail submission is preferred.

The deadline for response is 5:00 PM eastern on Monday, July 25, 2011.

TIMELINE

Proposals received by July 25, 2011.

Contract expected to be awarded by August 8, 2011.

It is expected that the proposed methodology for the market research would be presented to Michigan Saves within 30 days of the contract being executed, with implementation to follow thereafter.

ADDITIONAL INFORMATION

Michigan Saves reserves the right to reject any or all proposals received as a result of this RFP, and is not liable for any cost incurred by your firm in responding to this opportunity. Refer to the Michigan Saves website (www.michigansaves.org) for additional information about the organization and its programs.

If you have questions, contact Monica Torres at (517) 484-4954.

Attachment 1: What Is Michigan Saves?



A nonprofit organization dedicated to making energy improvements easy and affordable.

What Is Michigan Saves?

Michigan Saves is a nonprofit organization dedicated to making energy improvements easy and affordable. The organization works directly with lenders and other partners to provide financing solutions for energy efficiency and renewable energy systems in homes and businesses around the state. Michigan Saves also administers programs that provide direct energy-saving measures as well as incentives and information to promote broader adoption of energy improvements. Specific programs, which are described further below, are:

- Michigan Saves Home Energy Loan Program
- Michigan Saves Home Energy Mortgage Program
- Michigan Saves Commercial Energy Loan Program (pilot phase)
- BetterBuildings for Michigan

Michigan Saves Home Energy Loan Program

This statewide program provides easy and affordable financing that meets the needs of most home energy improvement projects—from deep retrofits to quick replacement of old or failing equipment. The Home Energy Loan Program provides unsecured personal loans of \$1,000 to \$20,000 at a fixed annual percentage rate of no more than 7 percent and terms up to 10 years.¹ The loans are intended to fill the gap in the credit market between purchases appropriate for credit cards and larger projects that might require a home equity line of credit. Loans are available for qualifying energy improvements on owner-occupied, single-family homes that are a primary residence. Improvements must be installed by a Michigan Saves authorized contractor. The contractor initiates the loan application process for the customer via online portal or the telephone and a decision is made within minutes.

Michigan Saves administers this program, including contractor recruitment and training, quality assurance, and evaluation. It also oversees the loan application center and manages the loan loss reserve fund in accordance with agreements with participating lenders.² The loss reserve provides partial default support to the lenders and leverages 20 to 1 the state and federal grant funds received by Michigan Saves from the Michigan Public Service Commission and the U.S. Department of Energy. Thus, the \$3.4 million loss reserve dedicated to this program can generate \$68 million in loans.

The Home Energy Loan Program was launched in September 2010. The program expects to have 200 contractors enrolled by the end of its first year of operation. As of March 2011, the program had approved over \$1 million in energy improvements, for more than 150 home owners. For additional details, refer to www.michigansaves.org or “Home Energy Loan Program at a Glance.”

¹ Loan terms are one year per \$1,000 up to \$4,999; customer can pick term up to 10 years for loans \$5,000 and higher (e.g., sample monthly payment for 3-year, \$3,000 loan at 7% APR is \$92.63; a 7-year, \$6,000 loan at 7% APR is \$90.56).

² The nine participating lenders are Central Macomb Community Credit Union, Consumers Credit Union, Financial Plus Federal Credit Union, Genisys Credit Union, Greater Niles Federal Credit Union, LAFUCU, Lake Trust Credit Union, MSU Federal Credit Union, and U.P. State Credit Union.

Michigan Saves Home Energy Mortgage Program

Michigan Saves has an agreement with one of the nation's largest independent mortgage lender, Prospect Mortgage, to offer a suite of secured financing products as part of the Michigan Saves Home Energy Mortgage Program. This program is suited for larger renovation projects performed in conjunction with the sale of the home, but is also available for refinancing and secured loans for large renovation projects. Specific products include 203k renovation loans (streamlined and full), 203K EEM/EIM, 203K renovation blended with EEM/EIM, VA EEM/EIM, and Fannie Mae EEM/EIM. Unlike the Home Energy Loan Program, Michigan Saves does not provide any loan loss reserve or other credit enhancement to the lender as part of this mortgage program.

The program is designed to be marketed primarily by realtors, who will explain benefits and details of the financing to the customer. Energy audits and the installation of energy improvements will be performed by Michigan Saves authorized contractors with special training and qualifications. The program presents the opportunity to achieve significant energy savings for the existing housing stock, including the large number of foreclosures, across Michigan while also making homes more affordable to live in. It is designed to break through existing barriers associated with energy efficiency and energy improvement mortgage products.

This program will be launched during the summer of 2011 as a pilot in targeted markets.

Michigan Saves Commercial Energy Loan Program

This program is under development and targets commercial property owners who otherwise might not have access to financing for energy efficiency upgrades. Michigan Saves was awarded a grant from the State Energy Program to design and administer a statewide commercial loan program for energy efficiency improvements, targeted initially at the retail food sector, such as restaurants and grocery and convenience stores. Michigan Saves will conduct a series of pilot programs and a market study to inform the design of the full-scale program to be launched in 2012. The grant provides Michigan Saves with nearly \$5 million dollars to supplement the loss reserve fund, target harder-to-reach businesses, and provide other incentives in addition to financing, such as rate buy-downs.

The program is currently available as part of a pilot to small businesses and nonprofit organizations located in the city of Detroit. The pilot offers affordable loans up to \$150,000 through a local lender, Enterprise Detroit, with a loss reserve provided by Michigan Saves.

BetterBuildings for Michigan

Together with the Michigan Department of Energy, Labor & Economic Growth and other partners, Michigan Saves was awarded a \$30 million federal grant to implement energy efficiency improvements for commercial and residential buildings. The residential portion of the program, known as BetterBuildings for Michigan, involves 27 neighborhood "sweeps" in Grand Rapids, southeast Michigan, and other communities around the state over a three-year period. This program offers a combination of rebates and financing promoted door to door by community organizers and will target 11,340 homes. The commercial portion of the program will upgrade over 130 buildings in Detroit. Michigan Saves acts as fiduciary for the program, which runs from June 2010 through June 2013. For additional details, refer to "BetterBuildings for Michigan at a Glance" or visit www.betterbuildingsformichigan.org.

Attachment 2: Commercial Loan Information



Easy. Affordable. Smart.

About Michigan Saves

Michigan Saves is a nonprofit organization dedicated to making energy improvements easy and affordable. We offer energy loan programs to help finance the cost of energy efficiency improvements for Michigan energy consumers including businesses, schools, municipalities, and residents. Endowed with an initial trust fund of \$6.5 million from the Michigan Public Service Commission and additional federal funding, this program eliminates the upfront costs of installation and provides a streamlined process for securing financing at preferred rates.
www.michigansaves.org

About Enterprise Detroit

Enterprise Detroit provides loans and technical assistance to small business owners, developers, building owners, contractors, and subcontractors who are unable to secure all of the capital they need from traditional financing sources. It leverages resources received from partnering community development organizations to help finance the redevelopment of neglected properties and help growing businesses create jobs with good pay for the City of Detroit's urban neighborhoods. Enterprise Detroit works with borrowers and its community partners to catalyze sustainable development opportunities that build a stable, healthier Detroit and reinvigorate peoples' lives.



Enterprise Detroit is located at 14533 Mack Ave., Detroit, MI 48215
 Phone: 313-886-2091
 Fax: 313-642-5219

DTE Energy's Your Energy SavingsSM



Affordable Loans Help Detroit Businesses Save Energy and Money!

If you're a DTE Energy business customer located in Detroit, there's never been a better time to improve the energy efficiency of your facilities. **Michigan Saves** has teamed up with **Enterprise Detroit** to offer Detroit businesses affordable, low-interest loans to make energy efficiency upgrades. These loans are available as part of a pilot program to businesses participating in select Your Energy SavingsSM programs offered by DTE Energy. The Your Energy SavingsSM rebates on qualifying improvements will allow you to save even more.

Michigan Saves Loan Facts*

Loan type	Commercial loan
Eligible improvements	Energy-saving improvements with available rebates through select DTE Energy Your Energy Savings SM programs
Loan amounts	\$10,000–\$150,000
Loan term	Flexible up to 7 years
Loan rates	Fixed APR not to exceed 5% with no prepayment penalty.**
Eligible properties	Small commercial buildings in the city of Detroit owned or occupied by nonprofit organizations or local businesses (only building owners are eligible for loan)

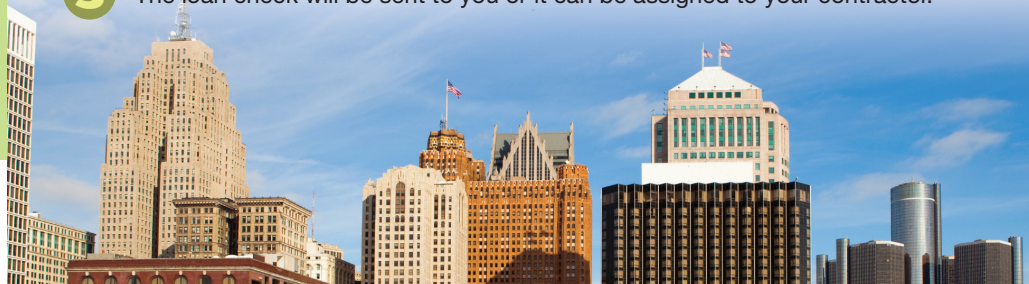
* Contact Enterprise Detroit for details. DTE Energy has no affiliation with Enterprise Detroit and will not be financially obligated for any loans. ** An application fee of not more than 1.0% of the loan or \$500, whichever is greater, also may be charged.

Getting Started

The number of loans available as part of this Michigan Saves pilot program is limited, so **sign up now!** Enterprise Detroit will walk you through the loan process.

APPLY NOW

- 1 Contact Enterprise Detroit at mmullen@enterprisedetroit.com to receive a loan application.
- 2 Submit the completed loan application.
- 3 Your contractor makes the energy efficiency improvements. You and the contractor will sign a certificate of completion form when the work is finished and submit the form to Enterprise Detroit.
- 4 Provide DTE Energy the required documentation to receive the Your Energy SavingsSM incentives (sign the release to have these applied toward the loan). DTE Energy will visit your facility to verify that the improvements were made.
- 5 The loan check will be sent to you or it can be assigned to your contractor.



Easy. Affordable. Smart.

www.michigansaves.org