



Center for
Sustainable Energy®

BRIDGING THE GAP:

LEVERAGING ENERGY EFFICIENCY, FINANCING, AND UTILITY
INCENTIVES FOR MODERATE REHAB PROJECTS

ACEEE ENERGY EFFICIENCY AS A RESOURCE
SEPTEMBER 22, 2015

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Who's here?



We're Covering:

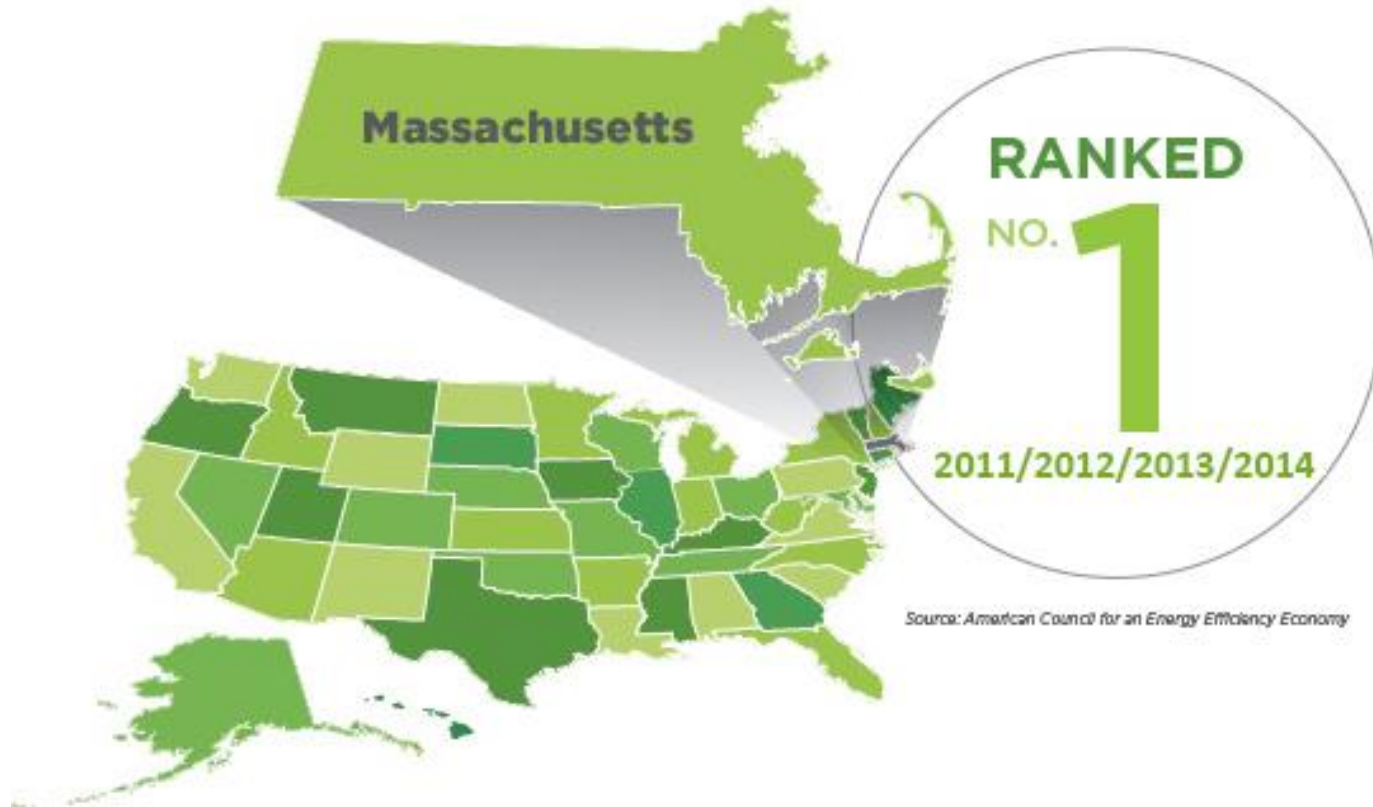
- Mass Save Multifamily Programs
- Affordable Housing Agencies
- Low-Income Housing Tax Credit (and other complicated funding situations)
- The Mod Rehab Opportunity
- A promising solution



In case you haven't heard...



ACEEE STATE ENERGY EFFICIENCY SCORECARD



Source: American Council for an Energy Efficiency Economy

Green Communities Act

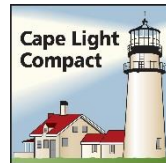
- Requires all cost-effective *energy efficiency as a resource* at a higher priority than other resources.
- Created an Energy Efficiency Advisory Council (EEAC) that works with utility program administrators
- The Statewide Three-Year Plan
 - ▣ Utilities develop
 - ▣ Ratepayer funding
 - ▣ Submitted to EEAC and DPU



www.MassSave.com



- One brand, one message.
- Services, incentives, trainings, and information promoting energy efficiency.



MassSave is HUGE!



GHG Emissions Equivalents



180,715 HOMES

POWERED FOR A YEAR THROUGH
ELECTRIC SAVINGS



28,712 HOMES

HEATED FOR A YEAR THROUGH
GAS SAVINGS



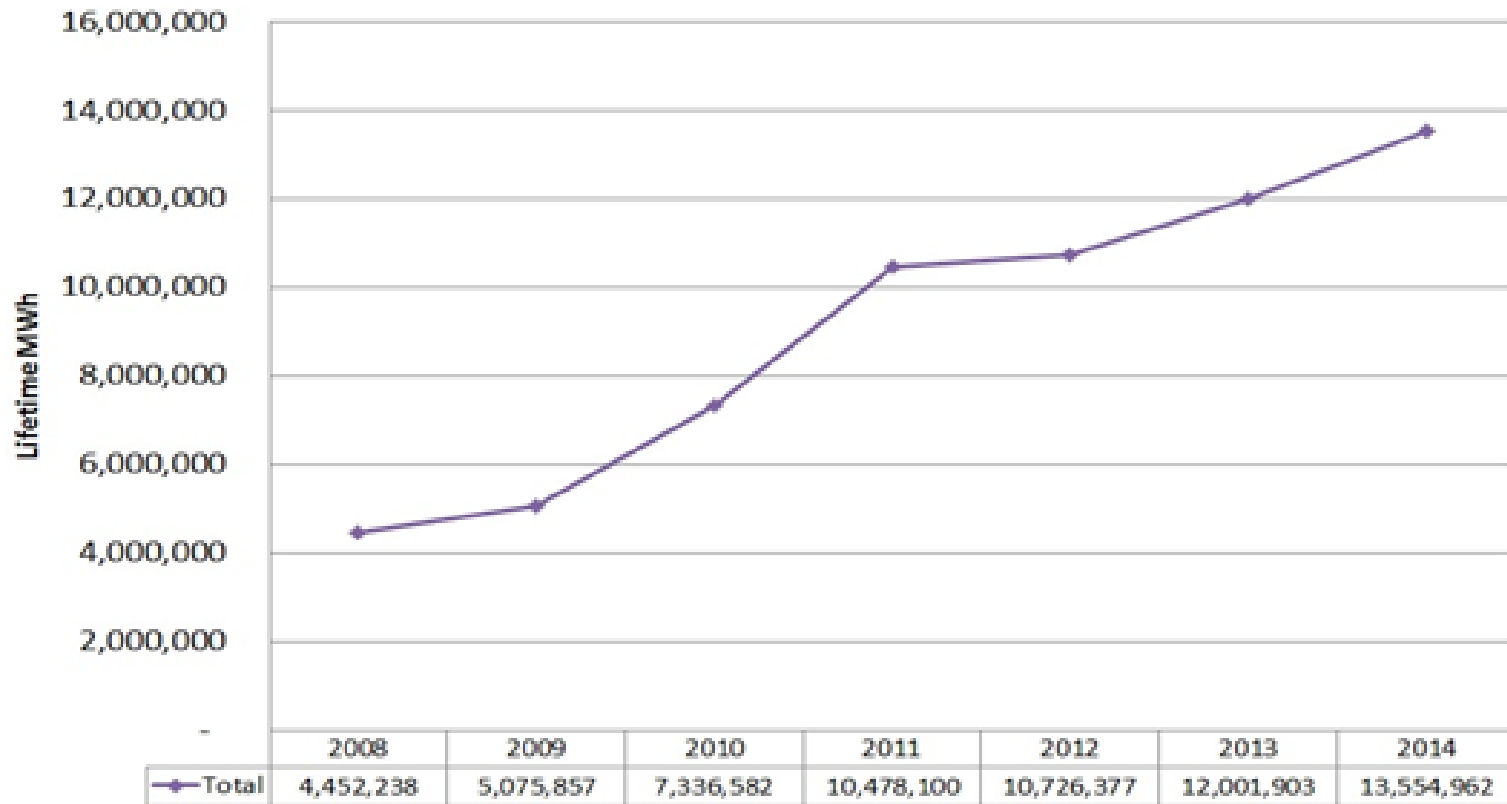
140,659 CARS

EMISSIONS FOR A YEAR THROUGH
ELECTRIC & GAS SAVINGS

MassSave is HUGE!



Statewide Electric Evaluated Lifetime Savings, 2008 - 2014



Market-Rate MF Program

- Single program that covers multiple fuel types, multiple utilities, both commercial & residential meters
- ICF is the lead vendor for the Residential New Construction Program
- Has paths that apply to:
 - ▣ Single Family and Low Rise Residential Buildings
 - ≤ 3 Stories
 - New construction or gut rehab
 - ▣ Mid and High-Rise Residential Buildings
 - ≥ 4 stories and ≥ 5 units
 - New construction and 50% rehab projects
 - Launched March 2013 after 3 year pilot



Low-Income MF Program



- Eligibility
 - ▣ 5+ Units
 - ▣ Half of Apartments at 60% AMI or Less
 - ▣ Owned by HA, Nonprofit, or for-profit entity
- Application thru WegoWise
- Energy efficiency measures are selected based on cost-effectiveness, scope is approved and contractor is hired.



WegoWise

Total energy use in Btu per square foot

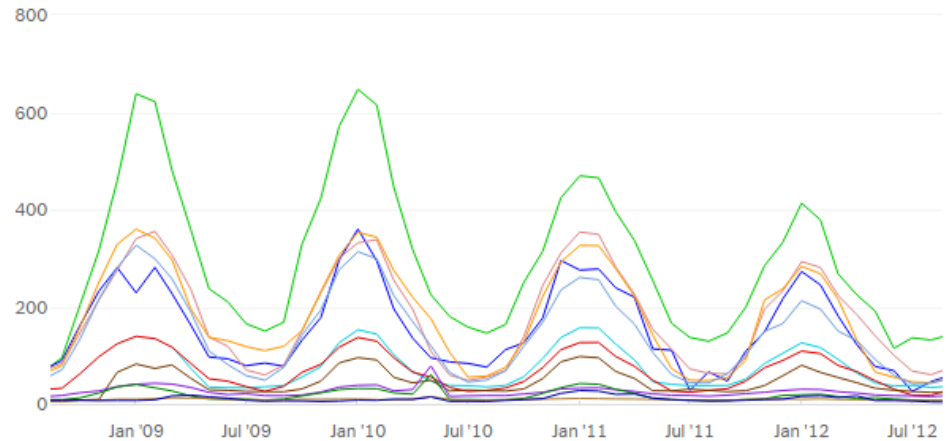
Graph Table



Name	Full-Year Sum	
• George Close Building	81.9K	<input checked="" type="checkbox"/>
• Squirrel Brand	64.2K*	<input checked="" type="checkbox"/>
• Scouting Way	64K*	<input checked="" type="checkbox"/>
• Hovey Avenue Apart...	52.7K*	<input checked="" type="checkbox"/>
• Linwood Court	50.8K*	<input checked="" type="checkbox"/>
• Putnam Place	38.9K*	<input type="checkbox"/>
• Churchill Court	28K*	<input checked="" type="checkbox"/>
• St Patrick's Place	25.6K*	<input checked="" type="checkbox"/>
• 72 Elm	17.4K*	<input checked="" type="checkbox"/>
• Norfolk St	10.1K*	<input checked="" type="checkbox"/>
• Trembridge Apartmen...	5.89K*	<input checked="" type="checkbox"/>
• Webster /Bristol Apar...	3.61K*	<input type="checkbox"/>
• 54 Berkshire St	3.48K*	<input checked="" type="checkbox"/>
• Cardinal Mederios	3.07K*	<input checked="" type="checkbox"/>
• 206-210 Otis St Apar...	149*	<input type="checkbox"/>

Detailed data per month

Zoom out



• Properties owned by other users

* Incomplete total due to missing meters

Incomplete total due to missing data

Low-Income Housing Tax Credits

- IRS allocates LIHTCs to states
- States issue Qualified Allocation Plans, and developers compete for an allocation
- Winning developers need investors
- Create Partnership – ILP (Investor) and GP (“owner”)
- Partnership Agreement dictates responsibilities, money flow in both directions, penalties, etc.
 - ▣ ILP puts in all the money, and has approval authority
 - ▣ GP is responsible for operations

Ongoing Operations

□ Income

- ▣ Operating Subsidy (ie., Project-Based Section 8)
- ▣ Rental Income
- ▣ Laundry and Other Income

□ Expenses

- ▣ Administrative; Property Management Fee; Maintenance; Insurance; Taxes; **Utilities**; Required Reserve Contributions

□ $\text{Income} - \text{Expenses} =$
Net Operating Income (NOI)

□ $\text{NOI} - \text{Required Debt Payments} =$
Net Cash Flow



The “Upper Tier” Split Incentive

- Cash Flow remaining after debt service is distributed pursuant to the property’s “waterfall”
 - ▣ Deferred Developer Fee
 - ▣ Incentive/Asset Management Fees
 - ▣ City/State Soft Loans
 - ▣ Then, if there is any money left, some of it might go to the General Partner “Owner!”



Green Retrofit Initiative

- LISC and New Ecology
- HUD Energy Innovation Fund
- Help owners understand energy use in buildings
- Prioritize efforts
- Help owners find funding
- Implement retrofit
- Follow-up measurement & verification



What works?

- Benchmarking:
 - ▣ Begin to understand a building's energy use
 - ▣ M&V – fix problems until savings are achieved
- Ongoing operations: spike tracking & long-range planning
- Comprehensive energy audits (good bldg science)
- Building the capacity of owners and managers
- Maximize windows of opportunity:
 - ▣ CNA & capital improvements
 - ▣ Refi/Rehab!
 - ▣ O&M



The Mod Rehab Gap

□ Opportunities:

- ▣ Generate new infusion of capital funds
- ▣ Finance (or partially finance) larger ticket efficiency items
- ▣ Package energy efficiency rehab with larger scope of work; integrate efficiency considerations early in design process
- ▣ Pair ITC with LIHTC to finance solar

□ Challenges:

- ▣ Hard dollar limits on rehab / Value-Engineering
- ▣ Lenders may not underwrite to anticipated utility cost savings



Takeaway

- Multifamily housing is complicated.
- Low-Income Multifamily is just a segment of that – and it's more complicated.
- Expand upon the existing infrastructure to develop an inclusive, comprehensive process.
- Make connections and partnerships to accomplish common goals.
- Move the burden of program navigation to Housing Agencies.



Questions?

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