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- Overview: Federal 2011 Financing for Affordable Multifamily Housing Green Retrofits
- What Is a Property Assessed Clean Energy (PACE) Bond? Why Is It Important to Weatherizers?
- What Is 'Subordinated' Capital? And Why Is the Weatherization Program Mentioning It?
- What Is a Revolving Loan Fund? And Why Is the Weatherization Program Mentioning It?
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- Utility Programs that Work with Weatherization or: Leverage for Impact, Not Money - Dave Rinebolt (OPAE)
- How Do Utility Residential Energy Efficiency Programs for Low- and Moderate-Income Consumers Work Now? What Makes Them Effective?

Energy Affordability Programs and on Research Relevant to Program Performance

- State-by-State Overview of Low-Income Programs in Restructuring Legislation, Regulation, and Implementation History"
- Program Features: California's Low-Income Energy Efficiency (LIEE) Program
- Program Features: Pennsylvania's Low-Income Usage Reduction Program (LIURP)
- Your utilities' Renewable Energy Portfolio Standard
- Weatherization Plus Sun and Wind: Model Local Projects - Coastal Community Action Program (WA)
- Utility Allowances in Public and Subsidized Housing: An Overview and Refresher Course

The EOS Promising Practices Series

Managing Multifamily Weatherization: Good Practices

- Community and Economic Development Agency (CEDA) of Cook County, IL
- Action for Boston Community Development (ABCD)

Promising
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Federal Financing for Affordable Multifamily Housing Green Retrofits *and new Multifamily Initiatives*

By Nathan Warren, September 2011

Many Weatherizers have a new interest in multifamily Weatherization. A variety of federal financial options and loan programs are currently available to not-for-profits, whether your organization is providing weatherization services for green retrofits, constructing new affordable housing, exploring rural renewable energy development, and/or owns affordable multifamily properties. Two EOS papers on the website, weatherizationplus.org, list some of the resources, familiar and new. One is an overview of federal funding financing from USDA, HUD and Fannie Mae; the other is a more detailed review of Fannie Mae's "Green Refinance Plus" initiative. Below is a snapshot overview of federal funding both inside and outside of ARRA that is currently available and may assist in supporting these efforts.

USDA: The **504 Loan and Grant Program** provides up to \$7,500 for health, safety and welfare renovations including energy retrofits for existing homes of low income, elderly and disabled. These funds may be used for residential energy retrofits separately or in combination with pilot projects (i.e., WIPP) currently underway through ARRA.

The **Rural Energy Plus Program** is designed specifically for single-family affordable housing. Its **502 Direct and Guaranteed Loan Programs** provide borrowers a 2% increase on both front and back end ratios for complying with the most recent version of the IECC.

The **Multifamily Preservation and Revitalization Program** as well as the **515 and 514/516 Farm Labor Housing Programs** encourage borrowers constructing new multifamily affordable housing get as close to net zero energy consumption as possible through a targeted set of incentives in the scoring of the Notice of Funding Availability (NOFA). Borrowers must commit to participating in a range of measurement and verification programs, and to make use of on-site energy generation.

The **Community Facilities Program** supports and encourages borrowers to build energy-efficient buildings. While the program does not have an incentive scoring criteria as the Multifamily housing program, the number of energy efficient projects and projects pursuing more intensive certification (i.e., LEED) has increased in recent years. Information on the Rural Housing Programs can be found at www.rurdev.usda.gov/md/housing.htm

HUD, Office of Affordable Housing Preservation (OAHP): The **Mark-to-Market (M2M) Green Initiative** was introduced in 2007 to encourage owners and purchasers of affordable, multifamily properties to rehab and operate properties using green building principles and sustainable development techniques. The focus is on energy efficiency, indoor air quality, recycling and incorporating the "Healthy Housing" approach pioneered by HUD. The initiative focuses on properties within HUD's Section 8 portfolio, specific to those projects in the M2M Program administered by the OAHP.

Fannie Mae: Green Refinance Plus helps refinance expiring mortgages of Low Income Housing Tax Credit and other affordable projects and to lower operating costs by reducing energy consumption. Fannie Mae and HUD anticipate approximately \$100 million in initial refinance funds with an average loan of \$3.5-5 million. FHA will insure up to an additional 4-5% of the loan amount or an average of \$150-250k per loan. This will provide additional loan funds to pay for property improvements that save energy and water costs for owners and tenants and other needed property renovations.

As owners of affordable housing look for ways to refinance mortgages and make efficiency improvements, this program has the potential to provide more renters with energy efficient dwellings while lowering utility costs, allow building owners to better manage their energy costs, lend a hand in sustaining and creating new weatherization jobs, and more importantly, preserve the affordable housing stock over the next decade. Beginning July 2011, Fannie Mae and its lenders began accepting applications.

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Managing Multifamily Weatherization: Promising Practices

By Fred Stratton, September 2011

Still improving your program's Multi-Family project approach?

See our online recent "promising practices" report about the strategies two leading, successful Weatherization agencies, Boston's Action for Boston Community Development and Chicago's Community Economic Development Association, are using to meet the challenges:

Identifying candidate buildings

Many eligible buildings are on lists that DOE, HUD and USDA provide (WPN 10-15). However, the candidate pool must be filtered to find the most suitable projects. Those include: buildings in, or facing, receivership; "expiring use" properties; and state-owned/assisted housing. In each of these categories the agency can more quickly identify the best candidates by working with the federal, state and local housing organizations' staff who know the buildings and building owners and will have files detailing their characteristics and condition.

Pre-screening

An early step in selecting the buildings that will be weatherized can be shortened by using assessment tools and self-assessment tools. The two agencies have tools to help them decide whether a building is a good candidate or not. One agency offers owners and contractors a free online pre-assessment tool. The other agency is developing a spreadsheet using measurements local utility costs and weather adjustments from newly completed jobs. The auditor will input the building's total square footage and get a better idea of whether it may be a good candidate.

Engaging owners

Getting owners to participate in a MF program is not easy even though for ARRA projects owner cost-share requirements have been reduced. To facilitate owner participation, the agencies have found that relying on a third party can be helpful and that a variety of organizations are trusted by owners. The Building Operators and Managers Association (BOMA) has affiliate groups across the country that provide services to owners and bring them together. Other new partners include non-profit groups and even an academic center that specializes in affordable housing; each can host meetings between agencies and owners.

Reaching landlord agreements

While tenant utility bill reductions are a means to achieve tenant benefits, an example of other creative ways to deliver these benefits is offered; one Boston owner met this requirement by creatively developing a community services center for building tenants

Choosing the right personnel and technical resources

When it comes to large buildings, it is important to have technical personnel well-versed in commercial building construction and systems. The agencies integrated new professions into their staff mix successfully and explained what to look for on the multi-family team. Flexibility in offering household and landlord services is also a factor in success. The cases include a compensation model for intake specialists that incentivized their on-site work "after hours" and on weekends.

Understanding contractor capacity

There is an approximate threshold (typically larger than garden apartments) at which buildings require the expertise of commercial contractors with expertise working on large building systems and managing the finances and paperwork of extended projects. The cases studies show how the two programs chose and managed new contractors.

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A Glossary of Innovative Financing for Weatherization

By Nathan Warren, September 2011

A **Revolving Loan Fund (RLF)** is a source of money dedicated to lending for a specific goal or to specific borrower groups. When loans for projects are repaid, the money is returned to the RLF and new projects for similar purposes are funded, "revolving" from one borrower back to the fund and on to the next. This is in contrast to commercial lending to a defined project; lenders may shrink or eliminate the pool for lending as repayments are made. Interest and fees paid by borrowers support program administration so that the fund's capital base remains intact. Weatherization local agencies with affordable housing might manage or borrow from those RLFs for efficient new construction or for rehab projects to extend the life of their buildings. RLFs could offer credit for energy services, and business start-up or expansion.

For more information on clean energy retrofit revolving loans, using clean energy RLFs in your area for low-income community projects, and examples and links to existing RLF programs see our mini-brief on our web site weatherizationplus.org, "What Is a Revolving Loan Fund?"

Subordinated-senior capital loan structuring means a project's financing is comprised of at least two separate loans (senior and subordinated). Subordination refers to the priority for re-payment, the senior lender gets paid first. Subordinated debt is structured so that repayments come from project revenues after the project operating costs and senior debt is paid. The subordinated lender assumes greater risk, but still has a claim on project revenues before others who have equity in the project, like shareholders. DOE top managers have stated that the Department is considering policy changes to allow WAP funds to be used for loans or revolving loan funds. For example, in a multifamily project, WAP funds might be loaned to pay for a portion of efficiency improvements, but the owner's repayment of the WAP-funded loan is made subordinate to the senior loan.

Weatherization agencies that are also owners of affordable housing developments or group living facilities or any commercial property should be interested in whether the state or local energy programs have unspent funding to commit to such funds in these last months of their ARRA programs. For more details on Clean Energy Retrofit Loans under ARRA SEP/EECBG, project examples, and resources check out our report on our web site, "What is 'Subordinated' Capital?"

Property Assessed Clean Energy (PACE) – A program that serves as innovative financing tool that allows local governments to provide attractive, bond-financed low-interest loans for energy efficiency investments to property owners. PACE financing is considered by many, including the White House, to be a promising energy retrofit financing tool for homeowners and businesses. However, the Federal Housing Finance Agency (FHFA) announced in July of 2010 that mortgages from homes with PACE loans cannot be sold in the federally-backed secondary mortgage market.

PACE is financed by bonds whose proceeds are loaned to commercial or residential property owners on a voluntary basis to finance energy retrofits (efficiency measures and small renewable energy systems). This provides consumers with another option to consider when planning retrofits. PACE can be issued by municipal financing districts or finance companies, which give consumers local accessibility. This has been a contributing factor to the growing grassroots support for PACE across the country. Currently, more than 20 states have authorized such programs. Court challenges to the ban are pending. See our report: What is a PACE Bond?"

Loan-Loss Reserve Funds – A Loan Loss Reserve Fund (LLRF) provides partial risk coverage to lenders, because the reserve will cover a previously-specified amount of loan losses. LLRFs provide partial risk coverage to motivate commercial financial institutions to offer energy efficiency and renewable energy finance products, pioneer new products, broaden access to finance, extend loan terms, lower interest rates. They can be funded with public monies, (e.g., ARRA SEP) but not W.A.P. and can support a range of efficiency and renewable energy finance structures. LLRFs are typically used with portfolios of small, unsecured loans. From our Financial Tools Series see our recent brief, "What Is a Loan Loss Reserve Fund?"

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