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Overview: Federal 2011 Financing for Affordable Multifamily Housing Green Retrofits

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A variety of federal financial options and loan programs are currently available to not-for-profits providing weatherization services for green retrofits, borrowers constructing new affordable housing, rural entities exploring renewable energy development, and owners and operators of affordable multi-family properties looking to rehab using more comprehensive green building principles and physical needs assessments. Below is an 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 process includes designated staff time from USDA to work with borrowers and grant recipients. This may include assisting with furnace upgrades, insulation installation, roof replacement and window replacements. Funds may also address health items including radon mitigation. Local non-profits housing providers may also help leverage weatherization funding to complete more extensive retrofits.

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 NOFAs award points for participation in some of the following programs according to the level of difficulty of achievement:

- EPA's Energy Star for Homes;
- DOE's Builder's Challenge;
- Enterprise Community Partners Green Communities Program;
- USGBC's LEED for Homes Program and;
- NAHB's National Green Building Standard

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Recognizing the importance of operations and maintenance, points are also available for Green Property Management certification.

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 here 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.

The M2M Program offers a unique platform for establishing a Green Initiative in the HUD affordable housing portfolio because it can be implemented within existing regulations. M2M allows for the opportunity to implement green building principles in a representative sample of M2M restructurings that involve properties already undergoing rehab. As HUD's main housing preservation tool, OAHP has restructured more than 1500 projects around the nation through the M2M program. M2M also resizes and restructures property debt to account for market rent levels, to pay for rehab – estimated repairs and replacement for 20 years' time, and establish a sound financial project long term. M2M provides incentives to owners and purchasers to undergo necessary rehab and maintenance using green alternatives while collecting data to confirm the impacts on utility consumption and indoor air quality

More information on the M2M Green Initiative -
www.hud.gov/offices/hsg/omhar/paes/greenini.cfm

The **Green Retrofit Program (CLOSED)** was created through ARRA in 2009. It provided grants and loans to property owners of eligible properties to make energy and green retrofit investments in the property to ensure maintenance and preservation of the property and oversight of the installation of energy efficiency technologies. Physical and financial assessments for the properties were conducted to determine grant dollars awarded and the loan. The terms of the grants or loans included continued affordability arrangements and funds will be spent by the receiving property owner within 2 years.

To find more information on the Green Retrofit Program for Multifamily Housing go to:
<http://portal.hud.gov/hudportal/HUD?src=/recovery/programs/green>.

Fannie Mae

Green Refinance Plus (SEE EOS Report), 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-

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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.

HUD's (Office of Public and Indian Housing) primary goal for gathering traditional and the new Green PNA data is to generate a national needs number, not to score housing authorities on how they spend their capital funds. Housing authority representatives have expressed concerns about the cost of a standard PNA requirement. HUD has responded in stating that PNAs are generally used in the private market to provide details to owners about their housing stock and information on the future needs of the stock for the potential repositioning or their assets.

Interested borrowers should contact a Fannie Mae Affordable Lender:

<https://www.efanniemae.com/mf/refmaterials/lenderinfo/affordchanlen.jsp>

Information on the Green PNA is available through Fannie Mae Lender Memo 11-04:

<https://www.efanniemae.com/mf/guidesforms/lendermemos.jsp>

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