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Managing Multifamily Weatherization: Good Practices

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Introduction

This is a summary of several good practices and lessons learned regarding six challenges weatherizing multifamily residences during the American Recovery and Reinvestment Act (ARRA). It is based on detailed case studies and will be expanded as other Weatherizers offer their experience. It highlights solutions to management challenges in identifying candidate buildings, engaging owners, closing the deal, fast-tracking permits, ramping up human and technical resources, and handling contract issues.

CEDA of Chicago, IL and ABCD of Boston Share Lessons

The Community and Economic Development Agency of Cook County, Inc. ([CEDA](#)) has the largest W.A.P. sub-grant (\$39,544,417). Prior to ARRA, apartments comprised 10-15% of the agency's annual completed weatherized units. The regular W.A.P. funding limited owner participation because of state requirements for a cost-match means a significant investment.

In Boston, Action for Boston Community Development, Inc. ([ABCD](#)) planned to expand its portfolio of multifamily weatherization and to service larger buildings than it had in the past. ABCD, the largest New England subgrantee, leveraged utility funds that equaled many multiples of DOE-W.A.P.. Practices and tools developed for the utility-funded programs were adapted for ARRA-W.A.P. requirements for larger apartment buildings. These two leaders offer other Weatherizers good practices to solve the six challenges listed and to lay the foundation for future partnerships in the section: identify good candidate buildings; engaging owners and establishing the partnership roles; expanding and chain the W.A.P. staff skill mix to include multifamily; probing regulatory and contracting issues.

This overview summarizes the good practices and the ways they are used in 2011. It includes recommendations and sources of help. Detailed explanations are available in the two full case studies that follow.

1. Identifying Candidate Buildings

The 2009 Memorandum of Understanding between HUD, USDA, and the Department of Energy (DOE) produced a *potential* inventory of large multifamily units but little information conditions, their energy use or their owners. CEDA developed strategies for targeting good W.A.P. candidates efficiently.

New Partners Help Identify Target Apartment Buildings

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CEDA learned how much [HUD regional offices](#), state housing finance agency staff, and financing intermediaries for local affordable housing can help Weatherizers identify buildings that need (or are planning) upgrades. They know whether buildings are financially at risk, and they can identify engaged owners who have already sought help with the costs of maintaining eligible properties. They also know how to overcome major challenges built into the HUD list. The HUD inventory is missing some details and requires local agencies to go out into the field to identify the actual location of eligible buildings. The HUD/DOE lists compile properties by some form of common name, but not by physical address. Local HUD office staff can help put an address to the names.

In Chicago and Boston, the two CAAs sought buildings in the following three categories, default and facing receivership, expiring-use assisted properties, and state financed properties and then sat down with the willing federal, state, and local program staff to sort through their files and databases on candidate properties and discuss specific opportunities. A Chicago non-profit also provided important direction.

Buildings in default and facing receivership, expiring-use assisted properties, and state financed properties.

Buildings In, or Facing, Receivership

Receivership can follow when the mortgage lender (including federal, state, or local agencies) finds an owner is in violation of the mortgage agreement. Violations can include non-payment, safety violations, and breach the provisions for tenant benefits like rent subsidies. When receivership is declared, the government agency attempts to work out terms with an owner for compliance, including property remediation responsibilities. Agency staff will be assigned to ensure the agreements are implemented.

Public housing receivership is primarily maintained and monitored in the Chicago area by three funding entities: the federal department of Housing and Urban Development (HUD); the Illinois Housing and Development Administration (IHDA); and the Community Investment Corporation of Chicago (CIC). Individuals from these entities who are responsible for monitoring the receivership process assisted CEDA by assessing whether or not the energy savings from Weatherization can become part of the receivership avoidance terms.

For instance, the possibility of receiving free Weatherization measures may encourage an owner to pay out-of-pocket for health and safety measures that are also part of the regional remediation. Weatherization can be added to receivership-avoidance agreements, which are typically subject to modification. Housing agency staff knows their portfolio.

The HUD inventory list presents some problems that require CEDA local agencies to go out into the field to identify the actual location of eligible buildings. The HUD/DOE lists compile properties by some form of common name but not by formal physical address. Local HUD office staff can help put an address to the names. CEDA personnel also had to cull from the lists properties that had high energy performance as result of other energy-efficiency programs.

'Expiring Use' Properties

These properties are close to termination of- the federal subsidy requirements that were applied to them when they were first placed into service. In recent years the trend has been for owners to turn these properties into market value rental units when their federal subsidy obligations expire. HUD and state housing staff negotiate arrangements to keep buildings in affordable housing stock where possible. They know which agreements are expiring and what the owners are seeking.

State-Owned/State-Financed Assisted Housing

The state housing department personnel could provide a building pre-assessment to alert W.A.P. staff to general and specific conditions of each building that may need to be addressed prior to conducting an energy assessment, including whether the heating systems are operable and safe. According to the CEDA's Weatherization manager, data collected from the pre-assessment stage hastens contracting and other procurement procedures.

In both IL and MA, W.A.P. is administered by the Department of Housing and Community Development (DHCD) with collaboration between offices in the same state agency facilities identifying and implementing projects. Exchange of information needed no special arrangement or protocols through intra-agency memorandums. In MA, DHCD also administers LIHEAP. Information from LIHEAP assists the W.A.P. and housing managers in verifying and cross-checking income eligibility.

2. Engaging Owners

The regular W.A.P. program had limited landlord participation because of cost-match requirements.

Both states lowered the matching requirement for ARRA funds. The local agencies developed a wider range of communication had to be established, not only to promote the program but also to ensure that building owners would participate and coordinate work during delivery. The potential applicants needed to be informed about how the program would be implemented including: how to apply; how buildings were to be evaluated; how to conduct the sequence of energy assessments and contract services; and about meetings with tenants to describe the program's benefits. In both states private partners played key roles in recruiting interested building owners.

CEDA management approached the Institute for Housing Studies ([IHS](#)) at DePaul University for assistance in marketing to owners.. IHS conducts research on housing issues in Cook County that informs housing-related resource allocation in support of the [Preservation Compact of Cook County](#).

Funded by the MacArthur Foundation, and guided by the Urban Land Institute, the Preservation Compact is comprised of organizations from the public and private sectors that work to retain and build affordable housing in Cook County. An IHS outreach coordinator assisted CEDA by managing two well-attended owner W.A.P.-outreach events that resulted in identifying a number of eligible buildings.

The Community Investment Corporation of Chicago (CIC) also helped connect CEDA's program to owners interested in energy retrofits. The CIC mission is neighborhood revitalization through

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innovative financial programs, including loans for new construction or property rehabilitation. It also offers building owners energy efficiency measures through partnerships with "[Center for Neighborhood Technology](#) (CNT) Energy Savers. CIC offers loan for weatherization and other energy improvements that meet the "CNT Energy Savers" criteria. CIC and CEDA personnel meet over individual projects and internally coordinate funding contractors, and timetables for implementation on site.

CIC is active with the Building Owners and Managers Association (BOMA) that provides multiple resources that building owners and managers can access for better building performance market research. Most cities have a BOMA. CEDA managers recommend connecting with this organization to establish lasting connection to the sector.

Subsequently the partnership model is likely to continue, not only to meet goals for weatherization, but because these partnerships have value in community relations and building better relationships with building owners. Building owners now have a better understanding of the agency's capabilities. Meeting on the building owner's "turf", and with organizations like BOMA, may lead to service opportunities in the future. The Massachusetts Low Income Multi-Family Retrofit Program is a "one-stop" resource to public housing authorities (PHAs) and non-profit owners applying for weatherization.

Showing Owners the Potential Value

Pre-Assessment Tools are important for screening candidate buildings. A lengthy planning negotiation precedes the full energy audit; it is counterproductive to develop agreements for projects that will not qualify for deep W.A.P. investment.

In MA, the consortium of Weatherizers and their partners that deliver the substantial utility programs is Low Income Energy Affordability Network (LEAN) offers a web-based portal for applying for weatherization services. A multifamily owner applies by registering a user name and password and then documents tenant income eligibility and whether tenants pay their own utility bills.

The second step in the process is for the owner to provide building information and energy characteristics through linked commercial energy benchmarking portal. WegoWise® is a commercially-available online tool that allows building owners to input their utility information and review the results graphically and numerically, observing building energy performance within a portfolio or as a stand- alone facility.

One meeting in the Chicago suburbs revealed a building listed was just five years old and had received a Silver Certification endorsement by the Leadership in Energy and Environmental Design (LEED4) arm of the U.S Green Building Council. Even though W.A.P. and LEED do not use the same bench-marking and energy assessment processes, LEED buildings incorporate high energy performance and environmental features. It is unlikely an EA-Quip audit would find any measures that could increase the building's energy efficiency.

CEDA relied on building assessments found in its housing agency partners' files. Its staff is developing an index to bench mark against current energy use. The full case study describes the initiative.

3. Closing the Deal

Tenant Benefits

In Massachusetts, most projects are buildings where the tenant pays for utilities and/or heat out of pocket. The owner agreement is simple and includes a guarantee the rent will not be raised because of the improvements. However other arrangements can be made to achieve the same results on properties where the renters do not pay their own utilities. In a few cases, it is possible to “prove” that W.A.P. is essential to keeping an expiring-use property as an affordable unit.

However, ABCD has won approval of non-standard landlord agreement with new kinds of measurable benefits for tenants. For example, in one project, utility savings were directed to fund a new social services center with staff.

ABCD

A “non-standard” landlord agreement summarized the direct benefits to the tenants. Annual average utility savings were estimated to be \$120,000.

1. Forty (40) of the units that would have lost expiring- use status in 2016 were extended another 40 years. The rent savings to tenants over this period (adjusted 2% annually for inflation) is an estimated \$2,313,000 or \$1,446 per apartment per year.
2. 156 units were renewed under the Section 8 Housing Assistance Program for 20 years. The annual direct benefit to 156 tenants with rent subsidy is \$1,946,000.
3. Half of the estimated annual utility savings ($\$120,000/2=\$60,000$) were dedicated to an operating budget to that provide “enhanced tenant services”, including a social services center.

Summation: The developers provided a cost/benefit matrix demonstrating that the one-time \$1,200,000.00 request for W.A.P. weatherization would produce a recurring annual direct benefit to the tenants of \$2,044,716.00. On a per-tenant basis, the energy cost-savings calculation demonstrated a savings of \$9,924 per tenant household. Other factors cited as non-financial (indirect) benefits to tenants included the installation of a required new sprinkler system, roof and other structural repair, and lead abatement.

4. Fast Tracking Permits: Partner with the Building Department

Many W.A.P. projects in multifamily buildings may require building permits. CEDA foresaw the potential delays and met with city and county building department officials in to explain the scope of ARRA work. The building department staff reviews projects using two types of permit processes; One is the traditional permit process in which an owner or contractor submits a plan, including blueprints, a list of subcontractors and/or other project evidence that the building department must review before final approval. The second -an “expedited permit”-is typically issued for projects that are not deemed to be building construction, including requests to build a fence around a yard or outbuilding. The building department deemed that this short process could be applied, saving more than six weeks for each review.

A broad utility energy efficiency effort called [Mass Save](#), includes funding for low income apartment buildings program, as previously cited, administered by the Low Income Energy Affordability Network (LEAN). Although this network has no binding legal status, in the wake of deregulation and other legislation since, this network acts as an oversight council in handling the processes allowing weatherization funding to move from the utilities to the low income housing sector. LEAN staff handles the intake and review of applications, coordinates auditors, recommends projects for approval, and administers the program in accordance with established guidelines.

5. Ramping Up Human and Technical Resources

Intake Services

To perform retrofits in individual apartments, the tenants must be income-eligible. W.A.P. agencies traditionally locate the staff that eligibility determines in their own facilities for ARRA. With ARRA, many more staffers had to become expert at intake and verification.

CEDA changed its practice of intake for the multifamily buildings and successfully shortened the time between recruiting an owner and determining the eligibility status of tenants. *The CEDA management arranged to deliver application services to tenants at home including on weekends, after 6 p.m., and other times that are convenient. Most CEDA clients are low-wage working families, as is the case with many tenants or candidate apartment buildings. CEDA hired more than 100 intake specialists paid per application. Many of them welcomed the flexibility of work outside traditional hours.*

Architects and Commercial Construction Managers

CEDA's multifamily weatherization manager is an architect, and the weatherization director asserts. This new leader's profession and training has been essential to the multifamily weatherization program. . The retrofit of large high-rise buildings requires program management and contractor supervisor by a person skilled in commercial- grade construction. Large high-rise buildings are complex facilities that often involve integrated systems that can be challenging to understand operationally. An experienced architect not only provides essential project management expertise but also brings a broad perspective and expertise on design, including the impact of building design on occupant safety and comfort, and the integration of buildings into the plans of the larger community.

Many of the other new professional positions in the CEDA multifamily program were filled by persons with a background in commercial construction. The multifamily weatherization director recruited them for their experience with the complexities of larger buildings, and he points out these project managers must work with engineers, specialists and contractors from the commercial building industry who will expect and expert partner and decisions makers.

6. Handling Contract Issues

Who Selects the Contractor?

The LEAN partnership network has a well-established pool of contractors that owners are encouraged to use for utility-financial work. The advantage of using the LEAN contractor pool is that the bid and contract for services are standardized, familiar and administratively expedient

to process. However, an owner is allowed to choose his own contractor so long as the bid submitted by a contractor who is not part of the LEAN pool passes an allowable cost test and meets the same requirements as those in the LEAN contractor-approved pool. In the regular program, landlord contributions are substantial, and concessions over final selection have evolved. A building owner must consider the additional complexity of the cost test and the time allowed for the contractor requirements to be met by new firms in weighing whether to select from the LEAN pool or not.

State support for W.A.P. procurement provides online access for bidders. The [Comm-PASS](#) procurement page allows interested parties to review proposed and existing contracts. This information is updated frequently and an online subscriber can also obtain information about the general progress of ongoing projects. The site also lists the current and approved vendors working for the state. The state also uses the online [BidDocs](#) tool to provide detailed information about each weatherization project receiving W.A.P. funding. There are separate icons on the home page that access specifications, drawings and other information pertinent to each project.

Contractor Capacity Criteria

ABCD cited an example of one 200-unit building owner who submitted a weatherization application. The owner needed to have the project implemented very quickly. Normally, a single-family weatherization contractor could handle the type of property in stages, but given the time constraint, a commercial building contractor was selected to perform the work.

Other factors that play into the selection of contractors are building size and the contractor ability to handle cash flow. Cash flow is a factor when a contractor is working on a very large building-or several buildings at one time-and is required to finance the flow of materials and employees for the project. The costs of W.A.P. are, of course, reimbursed after an inspector declares the work complete. Few typical single-family weatherization contractors can finance the flow of materials, personnel and finances in these projects.

Conclusion

These solutions to six of the challenges in expanding W.A.P. services to large multifamily buildings evolved quickly as two nimble, high-capacity organizations met ARRA challenges. More examples will be added as case studies are added to the EOS collection.

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