MA's Utility-Funded Low-Income Multifamily Energy Retrofit Program

MA's "ONE STOP SHOP" SIMPLIFIES UTILITY-FUNDED RETROFITS FOR AFFORDABLE MULTIFAMILY OWNERS

Multifamily Energy Retrofits: The Need

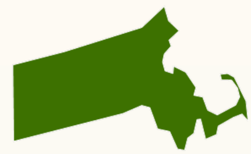
Wasteful energy use can pose a significant threat to maintaining affordable rental housing. Energy efficiency upgrades in rental housing are a cost- effective approach to lowering operating expenses, maintaining affordability for low-income households, reducing carbon emissions, and creating healthier, more comfortable living environments for low-income families.

Unfortunately, most energy efficiency retrofit programs are not well suited to address the multifamily housing sector- home mostly to low- and moderate-income families.[1] Utility-funded energy efficiency programs, for example, are a significant source of resources for residential energy retrofits that remain largely untapped by the multifamily sector. U.S. ratepayer-funded electric efficiency budgets totaled over $5.4 billion in 2010.[2] While nationwide data is unavailable, most utility-funded programs typically focus first on single-family and small rental properties rather than multifamily properties (5 units or more).[3] If multifamily energy retrofits are to occur at scale, utilities will need to develop energy efficiency programs that address the unique nature of the multifamily sector.

The Massachusetts Model: Owners Seek Streamlined Process to Achieve Whole Building Energy Retrofits

In 2009, the owners and operators of affordable multifamily housing in Massachusetts- community development corporations (CDCs), public housing authorities (PHAs), and the state's Department of Housing and Community Development (DHCD)- convinced the state's utility companies and other key stakeholders that the existing utility energy

At A Glance: MA's Utility-Funded Affordable Multifamily Retrofit Program



Key Players: Administered by utilities in collaboration with the MA Dept. of Housing and Community Development, public housing authorities, community development corporations, non-profit owners, tenant organizations, and community action program agencies.

Eligible Housing: Existing low-income multifamily buildings (5 or more units) owned by public housing authorities or non-profits. Priority given to high energy use buildings and buildings undergoing rehabilitation.

Financing/Funding Sources: Grants from utilities pay 100% of project costs. Spending caps exist for total project and individual measure costs. Leveraging of other funding sources, including state and federal energy efficiency programs, is encouraged.

Eligible Measures: Whole building energy assessment determines cost-effective measures. Program administrators develop comprehensive upgrade recommendations based on the energy audit.

Contracting Procedures: Utility program administrators identify qualified contractors. Flexibility is provided to allow owners to use existing vendors who meet certain qualification standards.

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efficiency programs did not work for affordable multifamily buildings. At the time, owners of multifamily properties often had to apply completely separately to a utility's residential and commercial programs, as a building could have a mix of master meters (requiring participation in the commercial utility program) and individual tenant meters (requiring participation in the residential utility program). Further, an electric utility's program might address lighting and appliances, but do nothing to address inefficient heating plant or the building envelope, while a gas utility's program would not address lighting and plug loads, thus forcing the owner to apply to two separate companies to address the whole building. As a result of these and other barriers, most owners of affordable multifamily housing gave up trying to access the utility programs.

The utilities agreed to consider revising their programs so that multifamily owners could achieve true one-stop shopping and obtain services that would address the full range of efficiency needs in these buildings. A successful re-design of the utility programs for affordable multifamily housing was launched in the first quarter of 2010, the Low-Income Multifamily Retrofit Energy Program (LIMFREP).

Screening Process Prioritizes Cost-Effective Retrofit Measures in High Need Low-Income Buildings

The LIMFREP has a website (www.leanmultifamily.org) where interested owners can learn about program requirements and offerings, as well as apply for services. To be eligible, a building must be owned by a PHA, non-profit, or non-profit controlled entity, and 50% of the tenants must have incomes at or below 60% of median income. The program provides owners with an energy benchmarking tool, WegoWise, which applicants must use, as priority is given to buildings with above-average energy usage per square foot. Applications are reviewed by a screening committee that includes representatives of the CDCs, PHAs, and LEAN (Low-Income Energy Affordability Network).

Once the screening committee approves a particular project, the LIMFREP conducts a building assessment, often including both an appliance audit that primarily covers refrigerators and lighting loads and a separate, comprehensive assessment that covers the building envelope, mechanical systems and motors, and ventilation. The work is often done at no cost to the owner, although sometimes an owner contribution is provided.

Generally, the energy efficiency work is performed by contractors who are vendors in the existing utility-funded energy efficiency programs, and the multifamily owner is not free to choose the contractor. However, the owner's preferred contractor may be used if the contractor meets all of the program's requirements, particularly where the owner is engaged in a larger project that includes renovations beyond energy efficiency measures.

Owners who either are not eligible for this new program (e.g. less than 50% of their tenants meet the income eligibility rules) or who have a low priority can still separately apply to the utility programs available for market-rate multifamily housing. There is also a separate utility-funded program for new construction.

From the program's inception in March 2010 through mid-January 2011, 175 applications had been received representing close to 10,000 low-income multifamily units. Actual work on buildings began in September 2010. Since that date, 3,000 units have been completed, and 4,000 to 5,000 units are in the queue for work to be completed in 2011. The electric utility-funded budget for 2011 is $14 million, and the gas budget is $8.5 million.

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References

[1] On average, renters' incomes are roughly half of homeowners': $31,000 vs. $61,000 annually. Energy Foundation, "U.S. Multifamily Energy Efficiency Potential by 2020," prepared by the Benningfield Group.
[2] Institute for Electric Efficiency, "Summary of Ratepayer-Funded Electric Efficiency Impacts, Expenditures, and Budgets (2009 - 2010)."
[3] National Consumer Law Center, "Up the Chimney: How HUD's Inaction Costs Taxpayers Millions and Drives Up Utility Bills for Low-Income Families."