

HUD Green MIP Refinancing Process

*Energy Benchmarking, Certification and
Energy Audits*

May 10, 2018

Agenda

- Introduction
- Energy Star Definition
- HUD MIP Energy Services
 - Energy Star Benchmarking
 - Energy Star Certification
- Ongoing Certification Requirements



HUD Green MIP Energy Services

Energy Star Benchmarking

- What is Energy Star Benchmarking:
 - International Standard
 - Simulates annual energy use of a building
 - Methodical and iterative process to evaluate potential decisions and achieve long-term goals
- Benefits:
 - Help optimize building design/Compare to like buildings
 - Help prioritize investment in strategies
 - Evaluates energy efficiency
 - Allows for national recognition

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Energy Star Certification

- Energy Star Requirements:
 - Twelve months of continuous utility data is required to begin the program
 - ◆ Must include all energy (common area, site, 100% tenant, retail)
 - ◆ Electric, fuel oil and natural gas
 - Updated utility data is required every year as part of the reduced MIP recertification for the term of the loan
 - Must keep doing energy reporting for entire lifecycle of the reduced MIP
 - Must keep Energy Star Certifications current for entire term of reduced MIP loan

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Energy Star Certification

- Energy Star Certification Benefits:
 - Use less energy
 - Lower operating costs
 - Cause fewer greenhouse gas emissions
 - Potentially command higher rental rates
 - Have increased asset value

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Energy Star Certification - Requirements at Closing

- ❑ Green Certification (Energy Star Existing Buildings, NGBS, LEED, etc.) must be provided at closing to obtain the reduced MIP.
 - Energy Star Existing Building Statement of Energy Performance (SEP) showing a score greater than 75.
- ❑ HUD Form 92013-D: Owner(s) certification and agreement for committing to the obligations of the reduced MIP.
- ❑ Data Collection Plan for method of obtaining future energy use at the property
- ❑ Alternatively, if the owner is unable to obtain a score greater than 75 or obtain 100% of the utility information to be able to achieve the Energy Star for Existing Buildings certification, they may hire an energy consultant to complete an ASHRAE Level II Energy Audit to determine appropriate energy upgrades/improvements to ensure that a score above 75 can be achieved with said improvements.

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ASHRAE Level II Energy Audits

- If a property does not score at least a 75, or the owner is not able to obtain 100% utility usage data and the owner still wants to obtain the reduced MIP, then an ASHRAE Level II Energy Audit must be completed to identify Energy Conservation Measures (ECMs) and improve the property's energy usage. An ASHRAE Level II Energy Audit involves the following:
 - Building Walkthrough
 - Light Level Measurements
 - Interviews with Maintenance Staff
 - Examination of utility bills
 - Survey of energy using equipment
 - Breakdown of energy usage
 - Economic analysis of Energy Conservation Measures (ECMs) and Capital Improvements (ROIs)

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ASHRAE Level II Energy Audits Continued

- The ASHRAE Level II Energy Audit will help to identify the most cost-effective and energy efficient improvements (ECMs) to a property in order to meet an energy performance rating of at least 75 points. After ECMs are completed, the Energy Audit updates the property's ENERGY STAR application to ensure conformance, complete the ENERGY STAR submittal forms, and submit submission to ENERGY STAR (15 months after closing, 3 months for completion of ECMs and 12 months of utility usage data.

This is a path that was originally allowable under the Green MIP notice, but is pending clarification by HUD HQ since the Green Certification is now required at Closing.

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Key Requirement Actions

- Engage early for Benchmark and Energy Star Certification
- Accurate Property Description and Details
- Provide Borrower utility data for 12 Months
 - Electric, Gas, Natural Gas, Heating Oil, etc.
 - Complete information no older than last bill of 90-120 days
 - Must have actual usage not an average
- If Energy Audit is needed
 - Engage Quickly
 - Schedule call with owner and EBI to discuss ECMs that will be completed
- Provide a Data Collection Plan to HUD (*may be as simple as installing downstream meter to collect all utility data for the entire property*)

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Ongoing Benchmarking and Submission

- Energy Star Existing Building Requirements
 - ◆ Must keep Energy Star Certifications current for entire term of MIP loan
 - ◆ Utility data is required every year as part of MIP recertification
 - ◆ Must keep doing energy reporting for entire term of the loan
 - ◆ Must maintain a certified level of 75+ for the term of the loan

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Common Pitfalls Green MIP Refinance Projects

223f Refi Common Mistakes

- Insufficient/Wrong Energy Data provided by Owner
- Incorrect Property Descriptions
 - ◆ Number Stories
 - ◆ Building Usage / Building Type
 - ◆ Gross Square footage
- Mixed Use vs Common Space
 - ◆ Retail Centers / Stores
 - ◆ Gyms / Restaurants
- Wrong Information provided by utilities
 - ◆ Additional address or adjacent parcel included
 - ◆ Non-Continuous 12-month Usage
- Average Data vs Actual Usage Data
- Cost instead of Usage

MIP Refinance Case Studies

Case Study #1

- ❑ Existing Building Refinance with a Green Certification
 - ❑ MAP 223(a7)
 - ❑ 5 Stories Garden Style with 775 units built in 2012
 - ❑ Mixed Use space (Retail, Pool, Gym)
 - ❑ Individual Meters
 - ❑ Was not able to get 100% of utility bills from the Electric Provider
- ❑ Energy Star Score of 79
- ❑ 25% sample of utility bills accepted thru Energy Star
 - ❑ Must be representatively sampled:
 - ❑ Unit types
 - ❑ Buildings
 - ❑ Each size (sq. ft.) and direction (N,S,E,W) of unit exterior wall
 - ❑ Each building floor or level
 - ❑ Each materially different HVAC package

Case Study #2

- ❑ Existing building Refinance MAP 223(f)
 - ❑ 3-Stories Garden Style with 312 units built in 2006-2007
 - ❑ Mixed Use space (Retail, Pool, Gym)
 - ❑ Individual Meters
 - ❑ Part of a 5 site portfolio (*2 of the 5 projects were not able to obtain 100% of tenant utility bills/usage*)
- ❑ Energy Star Score of 89
- ❑ Approved by Energy Star

Case Study #3

- ❑ Existing building Refinance MAP 223(f)
 - ❑ 3 Stories Garden Style with 264 units built in 2007
 - ❑ Common Space (Clubhouse, Pool, Gym)
 - ❑ Was not able to get 100% of utility bills from the Electric Provider
- ❑ Extrapolated Energy Star Score – 87
 - ❑ However, since the owner was only able to collect utility bills for 55 units so property could not obtain Green Certification under Energy Star Existing Building
- ❑ ASHRAE Energy Audit completed ECMs identified
 - ❑ Install programmable thermostats and time of day lock out schedule for common spaces
 - ❑ Reduction of site common area interior/exterior lighting
 - ❑ Minimum and maximum apartment set points
 - ❑ Install timer control on pool pump

Case Study #3 Cont.

- Benefit to Owner
 - Achieved MIP Reduction with a projected score of
 - Reduced Maintenance Costs for building operation
 - Approximate saving 16% of operations cost
 - Extended life of HVAC and Plumbing equipment on average by 2 years
 - Was able to use energy success to market building with an Energy Star score to tenants

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Case Study #4

- ❑ Existing building Refinance MAP 223(f)
 - ❑ 3 Stories Garden Style with 480 units built in 2014
 - ❑ Common Space (Clubhouse, Pool, Gym)
 - ❑ Individual Meters with a Tenant Landlord Agreement
- ❑ Energy Star Score 65
- ❑ ASHRAE Energy Audit completed ECMs identified
 - ❑ Time of day lock out schedule for common spaces
 - ❑ Minimum and maximum apartment set points
 - ❑ Reduction of site lighting
 - ❑ Changing HW heater set point and placing on a schedule

Case Study #4 Cont.

- Benefit to Owner
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 - Reduced Maintenance Costs for building operation
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Questions?

