

# Green MIP Reduction

The Destination, and the Way to Get There  
HUD-FHA MF Production Webinar, 8/25/2016

# A Simple Formula:

Green Recognition + Energy Performance = MIP Reduction

## Green Recognition

(aka "certification" per Earthcraft, LEED, National Green Building Standard, etc)



## Energy Performance

(annual ENERGY STAR score of 75+)



# Green MIP Reduction

Green Recognition + Energy Performance = MIP Reduction

First let's talk Energy Performance, because that's HUD's goal

▶ How do we measure Energy Performance?

- ▶ With An ENERGY STAR score:
- ▶ A 1-100 index score created by EPA
- ▶ Obtained from EPA's Portfolio Manager benchmarking software
- ▶ Reported in a standard form called a "Statement of Energy Performance" (SEP)
- ▶ 75 is the minimum score for MIP Reduction, meaning the property must perform in the top quartile of its peers among a reference group of 500 properties separately surveyed by EPA.





# A Statement of Energy Performance (SEP)

## IS

- ▶ **ABOUT PAST PERFORMANCE**
- ▶ Available in several file formats, including .pdf and .xls. The pdf is standard and sufficient to prove Energy Performance for MIP reduction. But the CNA e Tool will require the machine readable xls.
- ▶ Results of a recent period of 12 consecutive, whole months of metered energy consumption.

## IS NOT

- ▶ A modeling tool or predictor of construction results
- ▶ A diagnosis of performance, analysis of equipment or report of use by function (cooking, heating, cooling, etc.)
- ▶ Evidence of any Green Recognition
- ▶ **RELIABLE UNLESS CREATED FROM VERIFIED, QUALITY DATA.** Given time a toddler can enter random #s yielding a score, but HUD requires an Energy Professional.



# What Does an ENERGY STAR Score Do?

## The score does:

- ▶ Evaluate actual metered energy use
- ▶ Normalize for selected characteristics: size, # units, # floors, # units by floor level, climate.
- ▶ Compare a property to its peers as described by a survey of a 500 property national sample

## Does not:

- ▶ Compare a property to others in Portfolio Manager
- ▶ Normalize for equipment choices or quality or pricing of energy
- ▶ Normalize for socio-economic factors (affordable, market rate, senior housing)



## At What Time is the SEP required?

As a measure of 12 months past, SEP due dates vary by program and level/content of construction:

- ▶ SOA 220, 221, 231 → Sustaining Occupancy → + 15 months, then annual
- ▶ SOA 223 w/Retrofits → Completion of Repairs → + 15 months, then annual
- ▶ SOA 223 NO Retrofits → Endorsement → +15 months, then annual
- ▶ Knowledge of these dates is most crucial for Account Execs/OAMPO, but Production staff need to understand, document and explain.



# Proving Energy Performance...pretty simple except for ONE BIG HUDache

## GETTING QUALITY DATA, because:

- ▶ Most tenants have separately metered utility accounts
- ▶ Only a few utilities can report “whole building” data, combining tenant accounts to protect tenant privacy
- ▶ Many utilities cannot/will not provide landlords with tenant consumption data
- ▶ Even when utilities can/will provide tenant data, tenants may refuse the required permission
- ▶ Even when tenant permission is embedded in lease provisions, turnover, vacancy and record keeping are burdens to management requisite to uploading data to a Portfolio Manager account
- ▶ Fortunately, these conditions are changing for the better and we do have some remedies



# SEP Is Not Due 'til Later, What's the Issue In Underwriting?

## High Risk of Future Failure

- ▶ PHYSICAL FAILURE- property does not perform, score < 75
- ▶ DATA COLLECTION FAILURE-owner can't provide data
  - ▶ Benchmarking is a new concept for many owners
  - ▶ Attraction of 45 bps MIP Savings  
Sugarcoats Future Data Challenges
  - ▶ Owners may not grasp what they have promised to do
  - ▶ A valid agreement depends on mutual understanding

## The Underwriting Remedy

- ▶ Require a "data collection plan" with or before Firm Application
  - ▶ Shows owner understands data needs, management procedures, technical solutions
  - ▶ Details periodic steps and technology to obtain, organize, store and report data to Portfolio Manager
  - ▶ Details role & requirements of utility providers
  - ▶ Details any needed tenant cooperation and impact of turnover, tenant resistance





# What Data Is Needed to Get a MF Score?

## Property Use Details ☺

- ▶ Gross Floor Area (accuracy essential)
- ▶ # Units
  - ▶ # Units# In hi-rise setting (10+ stories)
  - ▶ # in mid-rise setting (5-9 stories)
  - ▶ # in low rise setting (up to 4 stories)
- ▶ Total # bedrooms

## Whole Building Energy Use, (the HUDache)

- ▶ Metered use for existing properties (modeled estimate for construction)
- ▶ 12 full, consecutive months
- ▶ All fuels
- ▶ All tenant & common areas

Zip code of property, needed for weather normalization



# Remedies for Data Collection HUDaches

## HUD Initiated Remedies:

- ▶ HUD allows sampling of tenant meters to reduce data collection required
- ▶ Provided that when/if larger share or 100% of tenant data is available it must be used

## Owner Initiated Remedies:

- ▶ Seek whole building data from utility provider, preferably reported directly to Portfolio Manager account 😊
- ▶ Install digital, remote reporting master or sub metering devices to report consumption 😊
- ▶ Arrange tenant permission for utility provider to supply tenant data
- ▶ Arrange tenant commitment to provide utility consumption data directly from monthly bill



# HUD's Interim Sampling Routine

- ▶ If whole building data is available, it must be used
- ▶ If not available then:
  - ▶ 25% of Units, randomly selected, provided the following are proportionately represented:
    - ▶ Unit types
    - ▶ Buildings
    - ▶ Each size (s.f.) and direction (N, E, S, W) of unit exterior wall elevation
    - ▶ Each building floor or level
    - ▶ Each materially different HVAC package
- ▶ A properly selected sample may be repeated year to year



# Basics of Data Collection Plans

Required With or Before Firm App

## From “Terrific” to “Best We Can Do”

- ▶ Utility providers provide “whole building” data
  - ▶ Even better, owner arranges for utility to direct report to owner’s Portfolio Manager account
- ▶ Install master or submeter system reporting to owner’s central data system
  - ▶ Cost may be limited by collecting an approved sample of tenant meters
  - ▶ Proposed ML/HN may require 100% master/sub metering in construction scenarios if utilities do not provide whole building data
- ▶ Obtain/maintain tenant permission for utility to release tenant data
  - ▶ Should detail utility provider forms, methods and lease addenda or other means of tenant permission
  - ▶ Tenant participation may be limited to approved sample
  - ▶ Must address turnover, property management procedures
- ▶ Obtain tenant commitment to provide data (bills) directly to owner
  - ▶ Same details as above



# Summary of Energy Performance Requirement

- ▶ Provide Data Collection Plan
  - ▶ All SOA apps with proposed Green MIP Reduction
  - ▶ With or Before Firm Application
- ▶ Deliver SEP documenting first year energy performance with ENERGY STAR score 75+
  - ▶ SOA 220, 221, 231 → Sustaining Occupancy + 15 months, then annual
  - ▶ SOA 223 w/Retrofits → Completion of Repairs + 15 months, then annual
  - ▶ SOA 223 NO Retrofits → Endorsement + 15 months, then annual
- ▶ QUESTIONS??? COMMENTS

# Green MIP Reduction

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▶ Now let's talk about the other MIP Reduction requirement:

## ▶ GREEN RECOGNITION



- ▶ Owner selects a "Green Standard"
- ▶ Owner plans construction to achieve GREEN RECOGNITION, or
- ▶ Owner evidences prior achievement of GREEN RECOGNITION



# When Must GREEN RECOGNITION BE EARNED?

- ▶ SOA 220, 221, 231 → Substantial Completion + 3 months
- ▶ SOA 223 w Retrofits → Completion of Repairs + 3 months
- ▶ SOA 223 No Retrofits → With/before Firm Application
- ▶ Basic idea: The only reason for delay is that construction/retrofits are required. The “Green Standards” are mostly intended as a building code overlay to regulate construction or renovation.



# Which Green Standard is Appropriate?

## ▶ New Construction & Gut Rehab:

- ▶ Energy Star High Rise
- ▶ Energy Star HOME
- ▶ LEED Home/LO/Mid Rise
- ▶ LEED High Rise
- ▶ Green Point Rated New Home MF
- ▶ Passive House
- ▶ Enterprise Green Communities
- ▶ Earthcraft House (townhouse/rowhouse)
- ▶ Earthcraft MF
- ▶ Earth Advantage
- ▶ National Green Building Standard
- ▶ Living Building Challenge





# Which Green Standard is Appropriate?

- ▶ **Substantial Rehab & 223(f) with Repairs > 223(a)(7) Limit**
  - ▶ Enterprise Green Communities
  - ▶ Earthcraft House (townhouse/rowhouse)
  - ▶ Earthcraft MF
  - ▶ Earth Advantage
  - ▶ National Green Building Standard
  - ▶ Living Building Challenge
  - ▶ Green Point Rated Existing Home-MF Whole Building
  - ▶ EnerPHit



# Which Green Standard is Appropriate?

- ▶ **223(f) w Repairs ≤ 223(a)(7) limits & All 223(a)(7)**
  - ▶ Green Point Rated Existing Home-MF Whole Building
  - ▶ Energy Star Existing Buildings
  - ▶ LEED for Existing (EBOM)
- ▶ **NOTE: Properties with no Retrofits must have earned GREEN RECOGNITION prior to Firm Application**



# Some Green Standards Only Recognize Certain Building Types, Categories, Locations

## ▶ Regional standards, location

- ▶ Green Point Rated Existing Home - MF Whole Building, California
- ▶ Earthcraft House (Townhouse or Rowhouse) Southeast, hot, humid zone
- ▶ Earthcraft MF, Southeast, hot, humid zone
- ▶ Earth Advantage, Oregon, Washington

## ▶ Building Type, usually evident in the Standard name

- ▶ Low rise, high rise, number of stories

## ▶ Property Use, e.g. Enterprise Green (affordable housing)

## ▶ Owner's selection must be appropriate



## Underwriting Issues for Concept Meeting (SOA 220, 221, 231)

- ▶ What Green Recognition will be earned?
  - ▶ Does it fit the circumstances?
- ▶ Who is on the Design Team?
  - ▶ Architect, Energy Professional, Standard Keeper or verifier
  - ▶ Experience with proposed Green Recognition



## Underwriting Issues for Pre-app (SOA 220, 221, 231)

- ▶ What Are the Design & Construction Milestones for Green Recognition? Expected Dates?
- ▶ If renovation, who will conduct energy audit and when?
- ▶ What modeling procedure & software will be used?
- ▶ Anticipated scope of work, and if renovation, key retrofits
- ▶ Plan to meter all spaces/uses to support future data collection



# Underwriting Issues for Firm

- ▶ Confirm requirements for GREEN RECOGNITION are included, acknowledged, in construction documents
  - ▶ Drawings, Plans, Specifications
  - ▶ Architect's Certification
  - ▶ Energy Professional (for lesser retrofits)
- ▶ Evidence of Standard keeper review/approval/acceptance
- ▶ Describe construction progress QA milestones and incorporate these in Construction Schedule
- ▶ To be built/retrofitted property should be modeled to estimate energy consumption
- ▶ Modeling results must be scored, Portfolio Manager, ENERGY STAR Score
- ▶ Plans/retrofits should score successfully with a margin for error
- ▶ Methods & plan for future data collection