

# Leveraging Multi-Family Refinancing Events

July 13, 2016

## 2016-2018 MA Energy Efficiency Plan language:

- In accordance with the Resolution, the PAs will continue to work with the Commonwealth's housing financing agencies and LEAN (with mutual expectations and deliverables) to develop and implement enhanced approaches to leverage multi-family refinancing events to maximize retrofit potential. The parties will specifically consider performance-based retrofit products.

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*This collaboration was a terrific opportunity to optimize the achievement of cost-effective energy savings for affordable multi-family housing already undergoing capital improvement processes.*

## **Housing Agencies, LEAN, and PAs:**

**Achieved consensus recommendations, with clear timelines and leadership responsibilities.**

**Created vehicles for continued engagement and collaboration.**

# Thank you



- Mark Curtiss and Tom Hopper, **Mass Housing Partnership**
- Decia Goodwin and Craig Torres, **Mass Housing**
- John Wells, Jerry Oppenheim, Elliott Jacobson, and James Collins, **LEAN**
- Mike Davis, **LISC**
- Beverly Craig, **Homeowner's Rehab**
- Toby Ast, **Preservation of Affordable Housing**
- Arah Shuur and Alissa Whiteman, **DOER**

# Partnership Process

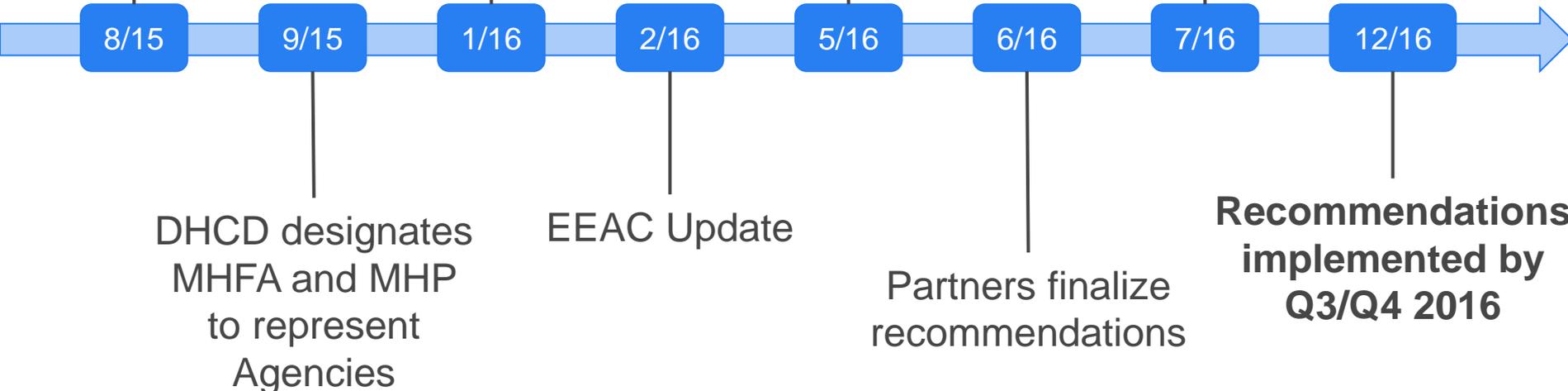


**Kick-Off Charrette**  
Partners set priorities  
and develop research  
and analysis tasks.

PA's reach  
out to DHCD

**Partner Workshop**  
Analysis Review and  
Recommendation  
development

EEAC  
Presentation

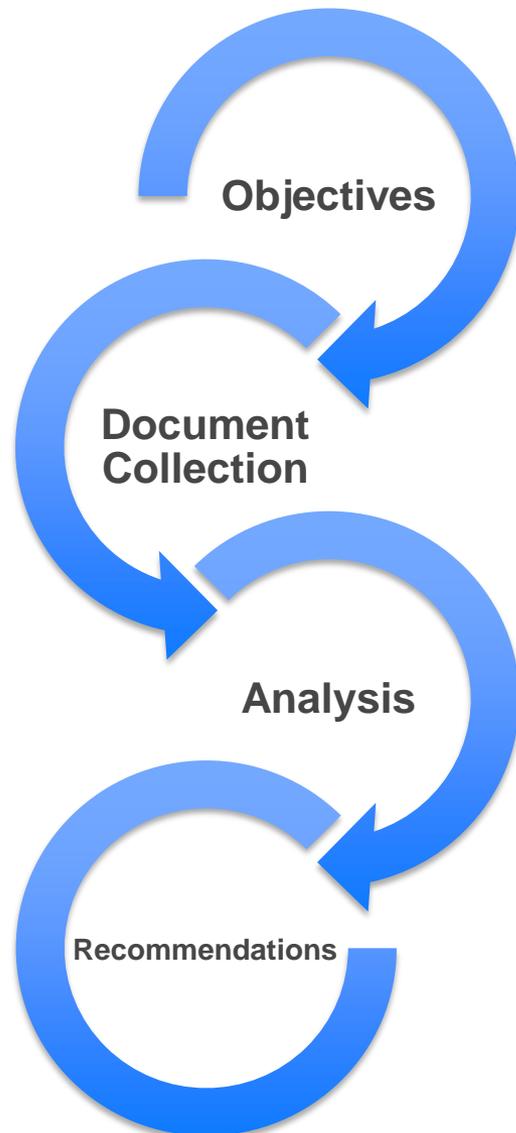


# Partner Priorities



- Predictability and reliability of the **expected energy savings** and a firm **commitment of the PA incentive** at the point of underwriting the loan.
- Increase Agency knowledge of what energy work has been done or is planned prior to the Capital Needs Assessment to integrate all eligible measures into the **initial scope of work**.
- Streamline the **assessment/audit process** and explore the potential benefits of owners receiving additional 3<sup>rd</sup> party audits.
- Utilize owner **GCs** to install EE measures in the scope of work.
- Ensure **maximum participation** of Agencies' refinance portfolios in available PA programs.
- Ensure **sufficient resources are available in 2016-2018** to support participation of Agencies Refinance portfolios without jeopardizing access for other eligible customers.

# Set Research and Analysis Tasks



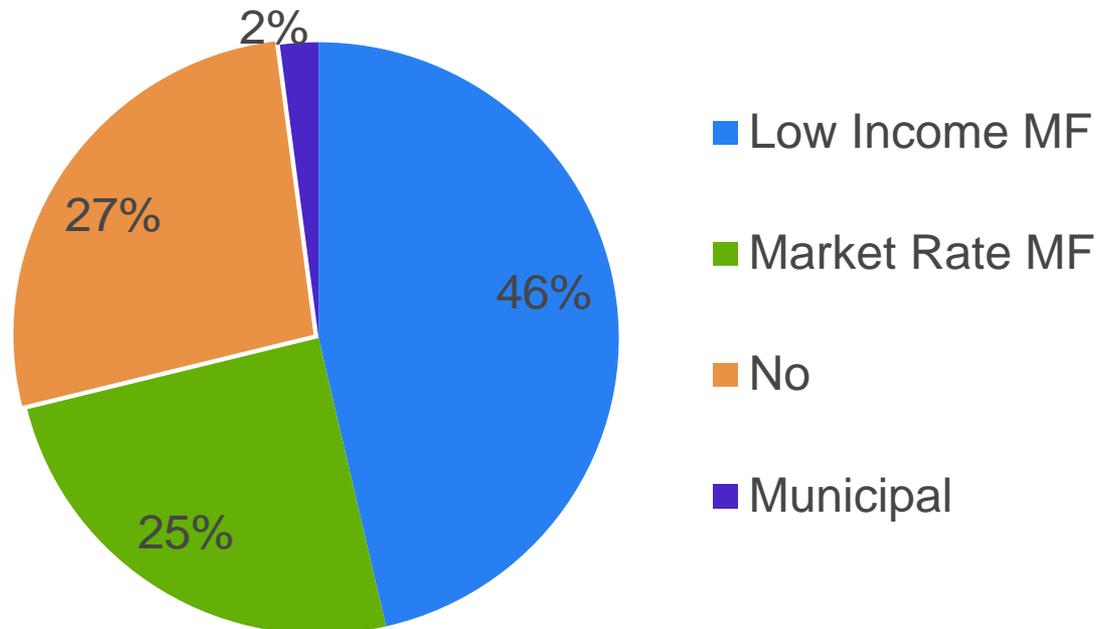
- ✓ Quantify the size of the pipeline and the energy savings opportunities within the refinance process
- ✓ Identify opportunities for better alignment of the Agencies refinance process and PA/LEAN programs
- ✓ Explore potential enhancements to improve owner participation and identification of savings

# Research and Analysis

## Mass Save Participation



Percent of Developments



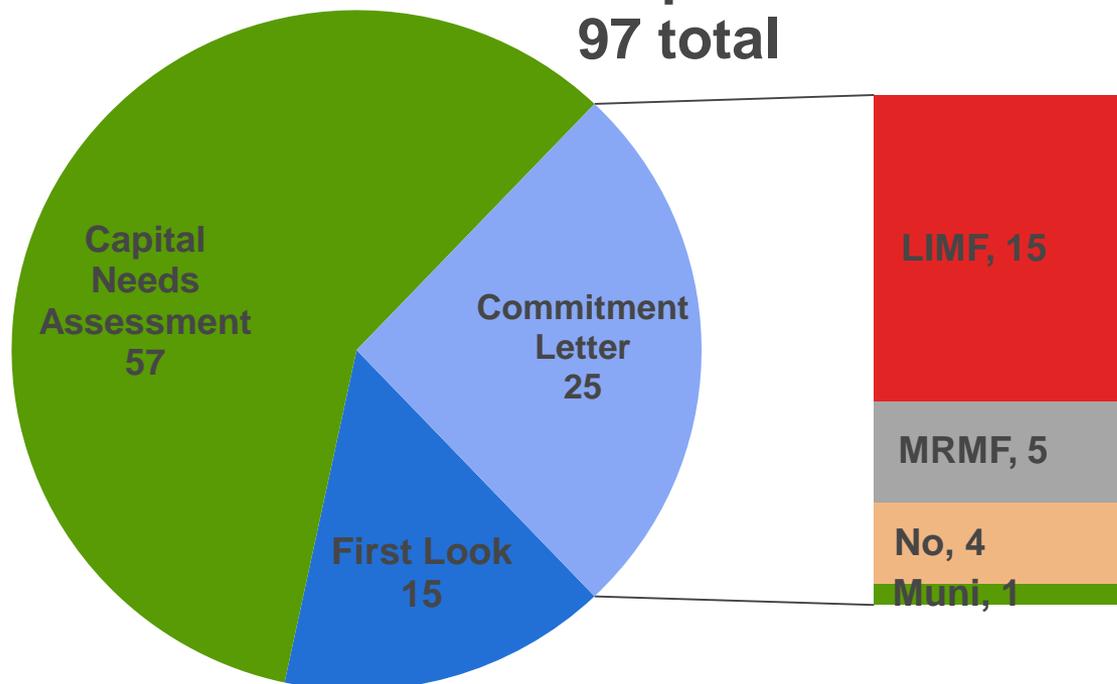
- ✓ **The refinance pipeline is already heavily served by Mass Save Programs.** A market penetration of 71% suggests that owners are aware of and accessing program resources.

# Research & Analysis

## Size of Pipeline



**2016-2018 Number of  
Developments:  
97 total**



- ✓ **The 2016 anticipated size of the annual refinance pipeline is 25 developments, 3,141 units – smaller than the original estimate of 5,000 units.**



100%  
touch  
two  
energy  
systems



91%  
touch  
heating  
or  
cooling  
system



67%  
touch  
the roof

## Potential for additional energy savings are in process optimization

- There is not a clear/'ideal' energy audit or assessment for projects undergoing refinance
- It is critical for owners to prioritize energy efficiency early in the refinance process
- External incentives in the housing finance process may be necessary for EE savings not currently cost-effective in LIMF

# Recommendations

## Addressing Partners' Priorities



- LEAN will provide **firm incentive commitments** at the refinance commitment letter stage. Other incentives structures, such as “pay for performance”, were discussed and decided to be too uncertain **for Partners' underwriting needs**.
- LEAN will provide **gas and electric assessment reports** to all participating owners so the Agencies can request these reports from owners and integrate all eligible measures early in the scope of work.
- LEAN will accept **3rd party audits** with in-field verification to determine program incentives for projects going through refinance.
- PAs will provide information to **qualify GCs to install EE measures** in coordination with the full project scope of work.
- PAs and partners will develop **a clear roadmap** as a handout to help owners and others navigate the two processes.

# Recommendations Continued

## Exploring Opportunities to Secure Savings



- Agencies will initiate conversation with DHCD on the best strategy to add energy efficiency requirements and a check into the QAP to incentivize owners to pursue high performance deep energy saving designs.
- PAs will initiate conversations with appropriate PA representatives on the ability to measure and claim incremental savings against incremental costs, which currently cannot be used to measure cost-effectiveness in LIMF.

# Recommendations Continued

## Ongoing Collaboration

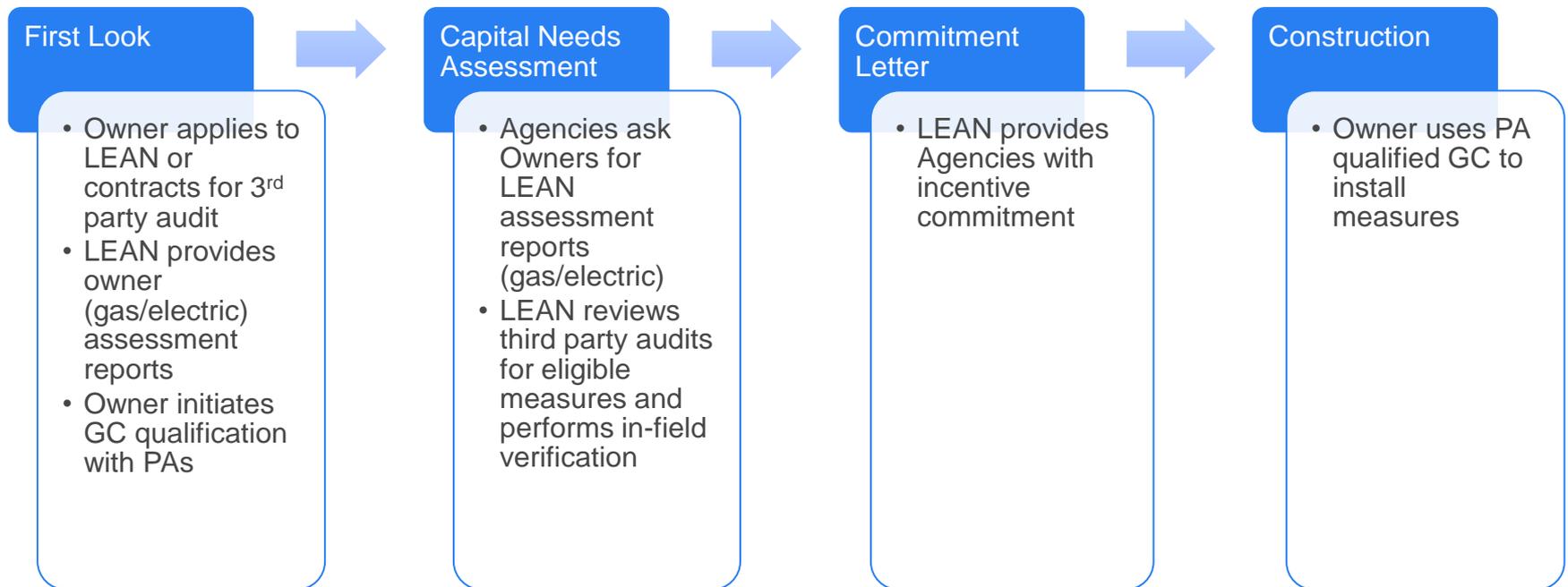


- The LIMF Advisory Committee will reconvene to provide an outlet for continued collaboration between partners.
- All recommendations to be implemented by end of Q3/Q4 2016.

# Enhanced Approach Achieved Process Alignment



## Refinance Process



# Thank you



# Full Recommendations

(as of July 13, 2016)



*The following recommendations resulted from the collaboration between the Massachusetts Energy Efficiency Program Administrators (PAs), LEAN, and the Massachusetts Affordable Housing Finance agencies. These recommendations represent the consensus set of immediate next steps for the collaborative partners to pursue. While leads have been designated to guide work on assigned recommendations and actions, all parties involved in the collaboration are expected to contribute to ensure that all recommendations are completed by the close of 2016. Several stakeholders including DOER, LISC, and affordable housing owner representatives from POAH and Homeowner's Rehab provided significant insight and support to the primary partners throughout the process and engaged closely in the final workshop where the recommendations were developed. It is expected these stakeholders will continue, through the Low Income Multifamily Advisory Committee and other venues, to support implementation of these recommendations and any additional follow-up on collaboration opportunities that result.*

- **RECOMMENDATION 1:** Create a high level, two-page roadmap for owners outlining key decision and action points with the PA programs (Low Income Multifamily Retrofit, Market Rate Multifamily Retrofit, and New Construction) and refinance process by the end of Q3 to maximize participation in the programs at refinance and facilitate owners' consideration of EE early in the design phase. Designated participants from affordable housing agencies, PAs, and LEAN will work on developing this user friendly marketing tool to integrate all of the following process alignment recommendations (i.e. Recommendation 2 and Actions 1-5 below). (*LEAD: Margaret Kelly, Eversource, and Amy Vavak, National Grid*)
  - **Action 1:** Once the roadmap is finalized, the PAs and LEAN will promote the roadmap through their program marketing and communications channels to all owners. The affordable housing agencies will ensure the roadmap is distributed to all owners and project developers with developments coming through their programs for refinance.
  - **Action 2:** The Low Income Multifamily Advisory Committee will provide an annual review of the roadmap and recommend, when needed, maintenance and updates to be incorporated. The PAs will be responsible for providing updates related to the Market Rate Multifamily and New Construction Programs. The Affordable Housing Finance agencies will be responsible for providing updates related to finance process changes.

# Full Recommendations Continued

(as of July 13, 2016)



- **RECOMMENDATION 2:** By Q3 2016, implement PA energy efficiency program alignment actions at the first look, capital needs assessment, commitment letter, and construction stages of refinance to incentivize owner participation in PA energy efficiency programs:
  - **Action 1:** LEAN will consistently provide the gas and electric assessment reports to owners after the site visit is completed. *(LEAD: John Wells, in consultation with other LEAN member entities)*
  - **Action 2:** Affordable housing agencies will ask owners to provide the LEAN assessment along with the capital needs assessment. *(LEAD: Decia Goodwin, MHFA, and Tom Hopper/Mark Curtiss, MHP)*
  - **Action 3:** LEAN will accept third party audits as a source for determining program incentives for LIMF projects going through refinance. LEAN auditors will continue to verify field conditions and determine if there are any other potential cost effective efficiency opportunities. \* *(LEAD: John Wells, in consultation with other LEAN member entities)*
  - **Action 4:** LEAN will provide an incentive commitment at the commitment letter stage for all projects going through refinance. Continued discussion between representatives from LEAN, a finance representative from MHP, and a finance representative from MHFA will be scheduled to determine the details and qualifications of this commitment (i.e. how long it will be good for, what must be included in commitment letters to ensure ECMs are implemented, etc.). *(LEAD: John Wells, LEAN, and Tom Hopper/Mark Curtiss, MHP)*
  - **Action 5:** PAs will develop educational tools to support Owner's ability to use qualified (i.e. qualified under PA criteria, including completion of required background checks for all contractors involved) General Contractors and their subcontractors for installation of approved measures during refinance projects by the end of Q3. The suggested timeline for the qualification process will be included in the roadmap. \*\* *(LEAD: Margaret Kelly, Eversource and Amy Vavak, National Grid)*

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\*The PAs will look into the possibility of third party audit review as a component of the market rate multifamily retrofit program.

\*\* The prices used in cost benefit analysis will be calculated costs, not the GC's quoted cost to install.

# Full Recommendations Continued

(as of July 13, 2016)



- **RECOMMENDATION 3:** Reconvene the Low Income Multifamily Advisory Committee as a venue to facilitate continued collaboration and discussion between the affordable housing agencies, owners, DHCD, DOER, the PAs, and LEAN by Q3 2016. The meeting in Q3 2016 will focus on any further opportunities to collaborate based on the results of Recommendations 4 and 5 (below). The Advisory Committee will meet quarterly thereafter. *(LEAD: John Wells, LEAN)*
- **RECOMMENDATION 4:** Initiate conversation between the affordable housing agencies and appropriate DHCD representatives on the best strategy to add energy efficiency requirements and a check in to the QAP to incentivize owners to pursue high performance deep energy saving designs. *(LEADS: Tom Hopper/Mark Curtiss, MHP, and Decia Goodwin, MHFA)*
- **RECOMMENDATION 5:** Initiate conversation with appropriate PA representatives in Q3 2016 on the ability to measure and claim incremental savings (against incremental costs) which derive from better or more energy conscious design, engineering or specification of measures not currently cost effective or covered under the Low Income Multifamily program, such as HVAC distribution systems or higher efficiency windows. The core concept here is that there may be opportunities to squeeze small additional energy savings, beyond the primary ECMs, through improvements to systems or components whose full cost cannot support incentives based on cost effectiveness. However, if the portion of costs related solely to achieving the increased energy savings could be balanced against the increased energy savings under the current cost effectiveness test the designed based savings could become a “cost effective” measure with the potential to be incentivized under the LIMF program. Using the HVAC distribution example, could we consider an incentive, not to cover the full distribution system, but to add the engineering or elements that lead to the highest efficiency when deployed as part of the distribution system engineering and installation? *(LEADS: Amy Vavak, National Grid, Margaret Kelly, Eversource, and John Wells, LEAN)*