



Better Buildings Challenge Incentive for Multifamily Housing Partners:

PRAC Shared Savings

October 23, 2014

What is the Better Buildings Challenge (BBC)?

- Part of President Obama's **Climate Action Plan**
- **Not a grant program**
- The BBC is a voluntary leadership initiative that asks building owners, developers, and managers to make a public commitment to energy efficiency.
- Builds on the success of the 2011 BBC for the commercial sector.
- Focuses on how energy efficiency can reduce carbon pollution, foster healthy communities, and improve the financial stability of housing assets.
- Multifamily Partners commit to **reducing energy consumption by at least 20 percent over 10 years**

“We will respond to the threat of climate change, knowing that the failure to do so would betray our children and future generations.”

-- *President Barack Obama, January 21, 2013*

What Do BBC Multifamily Partners Need to Do to Participate?

- **Pledge** a portfolio-wide energy savings goal: 20 percent over 10 years.
- **Showcase** an energy efficiency project.
- **Report results** by sharing cost-effective approaches for saving energy and performance data that demonstrates success.
- BBC Participants are required to provide HUD **whole building data**.
- **Highly Recommend:** Using EPA Portfolio Manager (or similar software) to track energy and water usage data and share data.



Who are the BBC Multifamily Partners?

1. Action Housing, Inc.
2. Aeon
3. Alco Royal Partners
4. Balfour Beatty Communities
5. Beacon Communities
6. Bridge Housing Corporation
7. Campus Crest Communities
8. Capitol Hill Housing
9. Century Housing
10. Cion Housing Services
11. Columbia Residential
12. Community Housing Partners
13. Corcoran Management
14. EAH Housing, Inc.
15. East Bay Asian Local Development Corporation
16. Eden Housing
17. Forest City Enterprises
18. FS Energy
19. Green Coast Enterprises
20. Hispanic Housing Development Corporation
21. Homes for America
22. Housing Partnership Equity Trust
23. Island Grove Village Apartments/Trinity Housing Corporation
24. Jewish Community Housing for the Elderly
25. Jonathan Rose Companies
26. Korman Residential Properties, Inc.
27. LINC Housing/SEED Partners LLC
28. McCormack Baron Salazar/Sunwheel Energy and Sustainability
29. Mercy Housing, Inc.
30. Multi-Family Mission Ministries
31. National Church Residences
32. New Life Homes
33. NHP Foundation
34. National Housing Trust/Enterprise Preservation Corporation
35. Peabody Properties, Inc.
36. Presby's Inspired Life
37. Preservation of Affordable Housing
38. REACH Community Development Corporation
39. Retirement Housing Foundation
40. Rural Ulster Preservation Company
41. Satellite Affordable Housing Associates
42. Schochet Companies
43. Tenderloin Neighborhood Development Corporation
44. The Boston Land Company
45. The Community Builders, Inc.
46. The Evangelical Lutheran Good Samaritan Society
47. The Model Group
48. The Silver Street Group
49. The Tower Companies
50. TIAA-CREF
51. Tonti Properties
52. Trinity Management
53. VLV Development Corporation
54. Volunteers of America
55. Winn Companies
56. Wishrock Investment Group



How will HUD Multifamily Help BBC Multifamily Partners?

- Ongoing collaboration and technical assistance.
 - \$1.5 million in technical assistance funds available.
 - Each partner is assigned to a BBC Account Manager that conducts quarterly check-in calls and is available to assist as needed.
- Referral to government and industry resources.
 - BBC Account Managers share the latest available information from other government and industry organizations.
 - Webinar Trainings
 - Annual Conference
- Incentives to encourage participation and help BBC Multifamily Partners reach their BBC goal.
 - Released To Date: Management Agent Add-On Fees, Expedited Reserve for Replacement Releases, Mark to Market Incentive Performance Fee Increase, and PRAC Shared Savings.

All requests must be accompanied by a print out of the Partner's profile page from the Better Buildings Challenge [website](#) and a short description of the applying entity's relationship to the Partner.

Better Buildings CHALLENGE
U.S. DEPARTMENT OF ENERGY

U.S. DEPARTMENT OF ENERGY | Energy Efficiency & Renewable Energy

Home Partners Allies Media About

Highlights

- Better Buildings Challenge: Progress Update - Spring 2014
- Leadership in Energy Efficiency: 5 Habits
- Better Buildings Summit Recap
- Partner Solutions: Implementation Models
- Partner Progress Against Energy Performance Goals
- Demonstrating Results: Showcase Projects

Better Buildings Challenge: Leadership, Transparency and Results

Partners & Allies Represent

3 Billion Square Feet Committed

\$2 Billion in Financing through Allies

600+ Manufacturing Facilities

LEADERS CUTTING ENERGY WASTE IN THE U.S.

Click to enlarge

Better Buildings Challenge Partners

- Corporate Partners
- State, Municipal and Community Partners
- Education Partners
- Multifamily Residential Partners

Events & Conferences

July 3rd 12-1pm ET - Team Everpower, of Carnegie Mellon University, will present their solution to: *Picking up PACE: Taking Commercial PACE Financing to Scale Case Study*. For this case, students developed a program structure and business plan for states to use to effectively implement PACE financing...

Multifamily Residential Partners	
ACTION-Housing, Inc.	Aeon
Atlanta Housing Authority	Balfour Beatty Communities
BRIDGE Housing Corporation	Campus Crest Communities
Columbia Residential	Community Housing Partners
Corcoran Management	Denver Housing Authority
EAH Housing, Inc.	East Bay Asian Local Development Corporation
Forest City Enterprises	Green Coast Enterprises
Hispanic Housing Development Corporation	Homes for America
Housing Authority of Baltimore City	Housing Authority of City of Bristol, CT
Housing Authority of City of Buena Ventura, CA	Housing Authority of City of Freeport, IL
Housing Authority of City of Helena, MT	Housing Authority of City of Palatka, FL
Housing Authority of City of Philadelphia, PA	Housing Authority of City of Tampa, FL
Housing Authority of Knox County, IN	Jersey City, NJ Housing Authority
Korman Residential Properties, Inc.	LINC Housing/SEED Partners LLC
McCormack Baron Salazar/Sunwheel Energy + Sustainability	Mercy Housing, Inc.
Minneapolis PHA	Multi-Family Mission Ministries



Better Buildings Challenge Multifamily Partner Incentive

PRAC SHARED SAVINGS

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings

- Memorandum from the Multifamily Deputy Assistant Secretary on September 26, 2014.
- The PRAC Shared Savings incentive will help BBC Multifamily Partners with PRAC properties in their portfolios realize savings resulting from energy and water improvements.
- PRAC properties are not designed to take on debt to support capital improvements, including energy and water improvements. With an aging PRAC portfolio (the program started in 1992), we are trying to assist these properties in making much needed capital repairs.
- This incentive addresses the “split incentive” between the PRAC Owner/Agent and HUD, by allowing the Owner/Agent to realize savings from the energy and water improvements for a 12 year period.
- Applies to those PRAC properties where some portion of the utilities are paid by the Owner/Agent.

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings Administrative Process

- The PRAC Shared Savings administrative process:
 - There are no new forms, HUD Form-92547-A, will be used.
 - The utility savings from the energy and water improvements will be reflected on the Fuel Oil/Coal budget line (Acct. No. 6420).
 - All Fuel Oil/Coal costs should be combined with the Gas budget line item and recorded on Acct. No. 6452.
 - The PRAC budget will be submitted per the property's normal renewal schedule.
 - The Owner will provide the calculated savings and justification for the calculation (see next slide).

Budget Worksheet Income and Expense Projections

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0324
(exp. 12/31/2014)

Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected in accordance with Title II of the National Housing Act which requires that HUD regulate rents for certain cooperative and subsidized rental projects. The Department formulated the processes by which owners could request increases. The requirement for tenant participation in the rent increase process, which is included in Section 202(b) of the HCD Amendments of 1978, necessitated that the Department design procedures to give consideration to tenant comments. The information gathered is not of a confidential nature. The information is required in order to obtain benefits.

Description of Account		Acct.No.	Statement of Profit/Loss FY__	Current FY (no. of mos.)	Budget from () to ()
Rental Income	Rent Revenue - Gross Potential	5120			
	Tenant Assistance Payments	5121			
5100	Rent Revenue - Stores and Commercial	5140			
	Garage and Parking Spaces	5170			
	Flexible Subsidy Revenue	5180			
	Miscellaneous Rent Revenue	5190			
	Excess Rent	5191			
	Rent Revenue/ Insurance	5192			
	Special Claims Revenue	5193			
	Retained Excess Income	5194			
	Total Rent Revenue Potential at 100% Occupancy	5100T			

Description of Account		Acct.No.	Statement of Profit/Loss FY__	Current FY (no. of mos.)	Budget from () to ()
Utilities	Fuel Oil/Coal	6420			Energy and Water Costs Averted Here
6400	Electricity	6450			
	Water	6451			
	Gas	6452			Combine Fuel Oil/Coal and Gas Expenses Here
	Sewer	6453			
	Total Utilities Expense	6400T			
Operating & Mainten. Expenses	Payroll	6510			
6500	Supplies	6515			
	Contracts	6520			
	Operating and Maintenance Rent Free Unit	6521			
	Garbage and Trash Removal	6525			
	Security Payroll/Contract	6530			
	Security Rent Free Unit	6531			
	Heating/Cooling Repairs and Maintenance	6546			
	Snow Removal	6548			
	Vehicle & Maint. Equip. Oper. and Repair	6570			
	Misc. Operating & Maintenance Expenses	6590			
	Total Operating & Maintenance Expenses	6500T			
Taxes and Insurance	Real Estate Taxes	6710			
6700	Payroll Taxes (Project's share)	6711			
	Property and Liability Insurance (Hazard)	6720			
	Fidelity Bond Insurance	6721			
	Workmen's Compensation	6722			



Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Establishing a Baseline

- The PRAC Owner/Agent must establish a baseline through one of the following methods:
 - One year of data on utility usage and cost per unit of utility used entered in to EPA's Portfolio Manager or similar software.

OR

- Three years of averaged historical data on utility usage and cost per unit of utility used using the HUD Multifamily protocol for Utility Analysis as outlined in the memo *Clarification Utility Allowance Regulations*. This method should include a justification of how the average was determined.

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Calculating the Savings

- At annual contract renewal, the Owner should calculate the savings that have resulted from the energy and water improvements using the following process:
 1. Take the baseline cost and multiply the baseline cost for each utility by the Utility Allowance Factor (UAF), or if the UAF is not available, OCAF.
 2. Calculate usage and cost per unit of the utility for the most recent year (the year for which you are trying to estimate the savings).
 3. Subtract the current year's cost from the baseline and record the result on the Fuel Oil/Coal budget line item (Acct. No. 6420) of Form HUD-92457-A.

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Calculating the Savings, Continued.

Savings Calculation Example							
Step One	Assume the Baseline has already been calculated at \$100,000 per year	Electricity \$40,000	x	UAF/OCAF 1.25	=	\$50,000	
		Water \$40,000	x	UAF/OCAF 1.25	=	\$50,000	
		Gas \$20,000	x	UAF/OCAF 1.25	=	\$25,000	
		Adjusted Total Baseline	\$50,000	+	\$50,000	+	\$50,000
Step Two							
Step Three	Subtract the current total utility costs from the adjusted total baseline.	\$125,000	-	\$110,000	=	\$15,000	
Step Four	Enter \$15,000 on the Fuel Oil/Coal Budget Line	Adjust \$15,000 by the UAF/OCAF at each annual contract renewal for up to 12 years from the initial renewal.					

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Documenting the Improvements

- To document the energy and water improvements made, the Owner/Agent must:
 - Submit a narrative of the scope of work compared to the work completed. If the scope of work changes, the Owner/Agent should notify the Multifamily Hub/Program Center by submitting a modified or new scope of work.

Sample Narrative		
Utility Savings Type	Energy/water Retrofit Measure Implemented	Anticipated Savings Over 12 Year Period, starting in <u>FY15</u> (Estimated Annual Amount Saved x 12 beginning on the date of the first budget worksheet submission)
Electric		
	Replace non-Energy Star appliances with Energy Star appliances	\$50,000
	Add lines as needed.	
Water		
	Replace toilets with low-flush toilets	\$40,000
	Install low-flow showerheads and aerators	\$50,000
	Add lines as needed.	
Gas		
	Install a central high-efficiency heating plant (boiler, furnace)	\$40,000
	Add lines as needed.	
Total:		\$180,000

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Documenting the Improvements, Continued.

- If additional improvements are made over the 12 year period, the Owner/Agent must submit a modified narrative at the time of annual contract renewal. The change in savings realized should be documented on Form HUD-92457-A on the Fuel Oil/Coal line item.

Sample Updated Narrative		
Utility Savings Type	Energy/water Retrofit Measure Implemented	Anticipated Savings Over 12 Year Period, starting in <u>FY15</u> (Estimated Annual Amount Saved x 12 beginning on the date of the first budget worksheet submission)
Electric		
	Replace non-Energy Star appliances with Energy Star appliances	\$50,000
<i>Added in 2020</i>	Install timers on lights in common areas	\$5,000
Water		
	Replace toilets with low-flush toilets	\$40,000
	Install low-flow showerheads and aerators	\$50,000
Gas		
	Install a central high-efficiency heating plant (boiler, furnace)	\$40,000
<i>Added in 2020</i>	Install timer on boiler	\$2,000
Total:		\$187,000

Better Buildings Challenge Multifamily Partner Incentive: PRAC Shared Savings—Savings Timeline

	Contract year ending 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
6240	\$15,000	Split the \$15,000 utility savings out by utility and multiply by the UAF for each utility. Enter the sum of the adjusted utilities here.	Repeat 2017 Process 		Sum for all utilities: (Baseline broken out by utility X UAF by utility)-current year's utility cost	Split the 2020 utility savings out by utility and multiply by the UAF for each utility. Enter the sum of the adjusted utilities here.	Repeat 2021 Process 						\$0

- The Owner/Agent is allowed to include the costs averted for only 12 years from the initial request (the initial request is the first year of the 12 year period).
- If an additional request is made, the costs averted may only be included up until the initial 12 year period has been reached. Therefore, it is advantageous for the Owner/Agent to begin with the work that has the longest payback period.

Feedback and Questions

- How can we make the administrative process easier?
- Other questions and concerns:
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