Multifamily Task Force Meeting:
Advancing State Multifamily Energy Efficiency Policies and Programs

Aligning Owner and Tenant Interests:
Utility Allowance Calculation
Owner Perspective

- Lack data on their portfolio energy consumption
- Where tenant pays utilities, believe HUD will keep all energy savings
- Unaware of utility allowance options
- Appliance replacement: cost before efficiency
Tenant Perspective

• Typically lack financial or informational resources to increase energy efficiency of/in unit

• Feel any energy savings goes to property owner

• Vulnerable communities on avg have least efficient appliances
Split Incentive

- Owner provides inefficient appliances
- Owner doesn’t invest in energy efficient building systems
- Owner doesn’t benchmark properties
- Tenant wants the maximum utility allowance, as they can pocket the savings
- Inefficient buildings and appliances drain tenant income, can lead to unpaid bills and evictions
- If I don’t own it, why should I invest in it?
Energy Efficiency Based Utility Allowance

- An alternative utility allowance, determined by local PHA

- Projects must achieve a specified level of efficiency (e.g., 15% above code)

- Typically mirror existing state/local utility program requirements
Utility Allowances

**Energy-Efficient Utility Allowance**
- Utilities: $90
- Rent: $410
- Total Housing Cost: $500

**Standard Utility Allowance**
- Utilities: $100
- Rent: $400
- Total Housing Cost: $500

Courtesy Enterprise Green Communities
Utility Allowances Metering

**Master-Metered** - utilities included in rent and paid by the owner.

**Check-Metered** - aka sub-metered - owner pays utilities, tenants may pay penalties for use beyond established thresholds (check state requirements).

**Individually-Metered** - tenant receives the bill and an utility allowance is subtracted from established rent.
Utility Allowances Types

Engineering-Based Methodology

- PHA method
- **PHA Energy Efficiency Based Utility Allowance (EEBUA)**
- Other site-specific models

Consumption-Based Methodology

- PHA rolling base conventions
- Utility company estimates
- Other site-specific estimates or averages

Utility Allowance Program Requirements

Public & Indian Housing, Housing Choice Vouchers: PHA Rates

HOME: Market Study or PHA

CDBG: Program Administrator

Project Based Section 8 & HUD other: PHA, Utility est., 12 mo. Avg

HUD Multifam Loans: Site Specific est. or avg

Rural Housing Svc Rental Asst: RHS rates
Utility Allowances LIHTC

LIHTC utility allowance options set by the HFA:

• Local PHA or HCV
• Sec. 8 Utility Allowance
• Local Utility Company Estimate
• HFA Utility Allowance
• HUD Utility Schedule Model
• Energy Consumption Model
Case Study: The Gardens on Garfield

DEVELOPER: Thomas Safran & Associates (www.tsahousing.com)
LOCATION: Glendale, Calif. (LA County)
CALIFORNIA CLIMATE ZONE: 9
NUMBER OF UNITS: 30
ENERGY ACHIEVEMENT: Exceeded Title 24 by ≥ 16%

ENERGY-EFFICIENCY MEASURES INCLUDE: 1) ENERGY STAR appliances; 2) High efficacy lighting, and timers for lights in common areas; 3) Upgraded roof insulation (R-30); 4) Low-E* windows; Upgraded HVAC system (heat pump)

FINANCIAL BENEFITS OF CUAC: The standard utility allowance (UA) increased during the time that the project was constructed. This would have resulted in a gap in financing, if the developer had used the standard UA. Using the true UA determined with the CUAC, the developer was able to avoid losing $90,000 in loans.

Courtesy of Enterprise Green Communities
WILL THE BUILDING BE ENERGY EFFICIENT?

WILL THE PROJECT BE LIHTC FUNDED?

DOES THE HFA ALLOW PROJECTS TO USE AN ENERGY CONSUMPTION MODEL?

DOES THE BUILDING MEET HFA CRITERIA. INCLUDING THE ENERGY EFFICIENCY REQUIREMENTS?

DOES THE PHA OFFER AN EEBULA?

DOES THE BUILDING MEET THE EEBUA ENERGY EFFICIENCY CRITERIA?

HIRE AN ARCHITECT OR ENERGY CONSULTANT TO INCREASE THE EFFICIENCY. DOES IT MEET THE REQUIREMENTS?

USE THE ENERGY CONSUMPTION MODEL-BASED UTILITY ALLOWANCE.

USE THE EEBULA

USE THE STANDARD UTILITY ALLOWANCE
Partners: PHA & HFA

• Data on energy use
• Alternative utility allowance calculations
• Blueprint for financial structure

PHA’s Norris Apartments, LEED certified
Resources: Consultants

- www.2rw.com
- www.nelrod.com
- www.benningfieldgroup.com
What Next?

- Determine if HFA or PHA offers EEBUA
- External Partner Collaboration
- Educate Multifamily Owners
- Educate Tenants
Thank You

- Community Engagement: ongoing
- Acquisition due diligence and transfer 12/2013
- Demolition 3/2014 (funding is secured)
- Groundbreaking and construction start 6/2015
- Construction Completion 6/2019