Better Buildings
U.S. DEPARTMENT OF ENERGY

HUD Public Housing: Policy in the Weeds

Better Buildings Summit

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2:00-3:15 PM

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

U.S. DEPARTMENT OF ENERGY

HUD PUBLIC HOUSING- POLICY IN THE WEEDS

EPC introduction and their intersection with RAD
+ Q&A

Energy Performance Contracts (EPCs)

- Program began in 1987
- Allow PHAs to retain and capitalize energy savings of retrofits
- Over 300 EPCs
  - Encompassing over 300,000 units
  - Leveraging over $1.4 billion

EPCs by PHA size

PHA Size	Number of EPCs	Number of units
Very small (<250)	37	5479
Small (250-499)	78	24170
Medium (500-1,249)	87	60974
Large (1,250-6,599)	101	174048
Very large (>6,599)	11	66495

Energy Performance Contracts

- 3rd party financing required
  - Pay For Energy Conservation Measures (ECMs)
- Typically managed by ESCOs
  - Less often – PHAs “self develop”
    - Denver, Charleston, etc.
- PHAs use resultant utility cost savings to repay:
  - Upfront investment
  - Financing cost
  - Supplement PHA expenses
- Up to 20 years

EPC incentives

1. Frozen Rolling Base (FRB):
   - Locks in pre-retrofit utility consumption
     - Applies it to current rate
2. Resident-Paid Utility (RPU) Incentive
   - PHAs reduce their utility allowances following retrofit (raises rent) continue to ask HUD for the pre-retrofit amount

- 75% rule

3. Add-on Subsidy (AoS):
   - Utility costs paid as is
   - Provides a PHA with extra funding through a line item
   - Covers <u>at most</u> annual debt service & project costs

Energy Performance Contracts

- Typical Project Process:
  - Request for proposal (approved by field)
  - Conduct an Investment Grade Energy Audit (IGEA)
  - Design a package of Energy Conservation Measures (ECMs)
  - Submit for HUD Energy Center approval
  - Execute Financial and Energy Service Agreement (if there is an ESCo)
  - Construction
  - Assess Utility Savings through Measurement & Verification (M&V)

Rate Reduction Incentive (RRI)

- When PHAs make a special and significant effort decrease their utility rates
  - PHAs retain 50% of the difference
    - Combined with an EPC, 100% of the difference is retained by the PHA
  - Must be requested and approved
    - By Field Office
  - Currently solar PPAs are popular and accepted applicants
  - Recent guidance around RRI and renewables

EPCs and the Residential Assistance Demonstration (RAD)

- Public FAQ
- RAD converts public housing (section 9) to section 8
  - RAD conversion freezes utility expense level
    - Incentivizing consumption/rate reduction
- Properties in an EPC can convert to RAD
  - Conversion formula accounts for AoS and FRB
    - Can get amendment for RPU
- Must assume appropriate amount of EPC debt
  - Amend Approval Letter

EPC to RAD conversion options

1. Full conversion
   - Pay off or assume all debt
2. Partial Conversion: 2 AMPs one moves to RAD
   - Determine savings obligation of converting AMP and apply for Amended EPC approval Letter
3. Phased Conversion: multiple RAD conversions over time
   - Pay off or assume all necessary debt at first phase
   - Amend approval letter at each phase
   - Propose multiple pay off/assumptions at first phase

- Partial AMP conversion
  - Additionally requires adjusting what AMP will now qualify for under EPC incentives
- Be mindful of potential additional requirements from lender

Determining an AMPs obligation

- HUD’s goal: EPC still financially viable
  - No additional risk on public housing units
- Converting properties must address debt proportionate to its projected savings
  - Based on original approval
    - Its assumptions/estimations
- EPC approvals are not necessarily so granular
  - Determining debt split can be both timely and costly
- Especially for older EPCs, where the intent is to convert most to RAD (even in phases)
  - Best option may be moving all debt to RAD at first phase

Questions?

Contact Information:

Christopher Golden

202-402-2413

Christopher.M.Golden@HUD.Gov

U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Public Housing Management and Occupancy Division

Program Analyst

Utility Conservation Pilot (UCP)

- EPCs have proven effective for large scale projects with sophisticated PHAs
  - Less use by smaller PHAs
- The UCP was in President's 2016 budget (proposed for 2017)
  - Designed to be simpler and more accessible
  - Doesn't require 3rd party financing
  - Has a set rolling base

Utility Conservation Pilot

- At the start of the project a PHAs consumption would be set
  - Based on previous 3 years
  - Adjusted as necessary
- Then in subsequent years it would be rolled down (1% consumption decrease a year)
  - Incentive ends when rolled down consumption = actual consumption or after 20 years
- Pilot not yet passed; many of finer details have not been worked out
  - Input is welcomed