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Texas Leads Multifamily Property Weatherization Ramp-Up

By Jennifer Hill, Staff Writer, Novogradac & Company LLP

Texas was one of the first states to discover that weatherizing multifamily properties may be the most efficient way to spend the \$5 billion in Weatherization Assistance Program (WAP) funds, provided under the American Recovery and Reinvestment Act (ARRA), before the March 2012 deadline. According to Department of Energy (DOE) estimates, the Texas Department of Housing and Community Affairs (TDHCA), which administers the state's WAP, had completed a total of nearly 26,600 homes by the end of last year using regular WAP and ARRA-WAP funds. This feat made it the fourth most productive state in the country.

Of the Texas homes weatherized with ARRA-WAP funds, 40 percent have been multifamily units, said TDHCA director of community affairs Michael DeYoung. This stands in contrast to a few other states that received the extra funds under ARRA and continued to focus on their single-family weatherization efforts. "Just doing single-family, you'll fall well short. Several states said they were spending all their money on single-family and now they're not getting the funding out," said Doug Gurkin, principal at Edgewater Group, which specializes in affordable housing development and preservation. "All of a sudden states had a lot of money and it scared them," he said.

Before ARRA-WAP, DOE gave Texas roughly \$5 million in WAP funds every year. In 2009, the state received nearly \$327 million. After the states received ARRA-WAP grants, they awarded them to not-for-profit organizations called



Photo: Courtesy of Palomino Place Apartments LP

Edgewater Group Energy Solutions and Sheltering Arms Senior Services facilitated the \$1.4 million weatherization of Palomino Place Apartments in Houston, Texas.

sub-recipients, most of which were accustomed to working with significantly smaller weatherization budgets and using the money to weatherize single-family homes.

Gurkin was working with sub-recipients to obtain WAP funding for his company's properties when he realized that there was little guidance for implementation from either the DOE or the U.S. Department of Housing and Urban Development (HUD); therefore, each state and sub-recipient administered the program differently. Learning each sub-recipient's rules and procedures could be a frustrating pro-

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cess for owners of multiple properties. The process is complicated even further by the fact that the tenants, not the property owner, are the funding applicants. Gurkin saw the need for a liaison, a consulting agency that could work with owners, tenants and sub-recipients to smooth the process of applying for and implementing weatherization improvements, so in June 2009 he founded Edgewater Group Energy Solutions (EGES). To date, EGES has engaged to weatherize approximately 30,000 units nationally.

In Houston, Texas, EGES recently helped Palomino Place, a 272-unit development with 178 Section 8 units, work with sub-recipient Sheltering Arms Senior Services to secure \$1.4 million in weatherization improvements. Depending on the needs of the building and the individual units, those that qualified received new windows, Energy Star appliances such as refrigerators and stoves, carbon monoxide and smoke detectors, air conditioners, furnaces and attic insulation. Tenants in some units, especially those on the upper story that had lost heat through the ceilings and attics, could see energy savings of as much as 30 percent, said Barbara Schetter, Sheltering Arms' director of weatherization. Sheltering Arms, which has weatherized the most units of any Texas sub-recipient, has completed improvements using the ARRA WAP funds on seven multifamily properties. It is working on an eighth. Schetter said the organization is targeting approximately 40 to 50 percent of its ARRA-WAP funding to multifamily properties.

The rule of thumb is around 15 to 30 percent for energy savings after weatherization, Schetter said. DOE estimates indicate the average household saves approximately \$413 per year, but, DeYoung said, TDHCA has seen some multifamily units' utility bills reduced by as much as 70 percent after weatherization.

"We get to make a real difference, particularly on the old stock," Gurkin said, noting the high energy bills that frequently come with living in an older, poorly-insulated building. "It's important because for those of us in affordable housing, we don't roll properties, we keep them forever."

If residents' incomes qualify, even conventionally financed properties are eligible for ARRA-WAP; however, Gurkin points out that from the taxpayer's perspective it may be more efficient to improve the operations of housing that's already subsidized with low-income housing tax credits, project-based Section 8 contracts, or U.S. Department of Agriculture Rural Development funds. Nearly 50 percent of the units EGES has worked with involved financing under Section 8. Last year, HUD and USDA published a list of Section 8 and Section 515 properties that when based on income automatically qualify for WAP, cutting out the time-consuming income certification process. Since that time, HUD and USDA have identified 146 additional eligible properties, which

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DOE included in supplemental lists in March.

Gurkin said he expects the Section 8 portion of EGES' business to increase as the March 2012 deadline draws nearer and states ramp up their ARRA-WAP spending on multifamily units. Florida, Michigan and North Carolina, which have only recently begun to spend the ARRA-WAP funds on multifamily properties, have stated preferences for Section 8 and Section 515 properties, he said.

"A lot of people are having an 'uh oh, we're inside a year' moment," Gurkin said, noting that with less than a year before the deadline, many states are scrambling to spend their ARRA-WAP funds. TDHCA reports that it has \$160 million remaining and is working closely with each sub-recipient to ensure it spends the grants before they expire. After the money is gone, owners who missed the opportunity to weatherize their properties will likely have trouble finding extra money to make those small but crucial improvements.

"When I go into clients' homes after weatherization has been done, they won't say 'my house feels tighter,' they'll say 'my house feels cozier.' They'll say, 'I have a new refrigerator or air conditioner that doesn't run all day long,'" Schetter said. "People are so appreciative of the savings. This program really does what it says it will do." ❖

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