



Sustainable Communities™

Vol 1, No 2 • March/April 2011 • www.p4sc.org • \$12

Rental Housing: **NMHC Predicts Rising Demand**

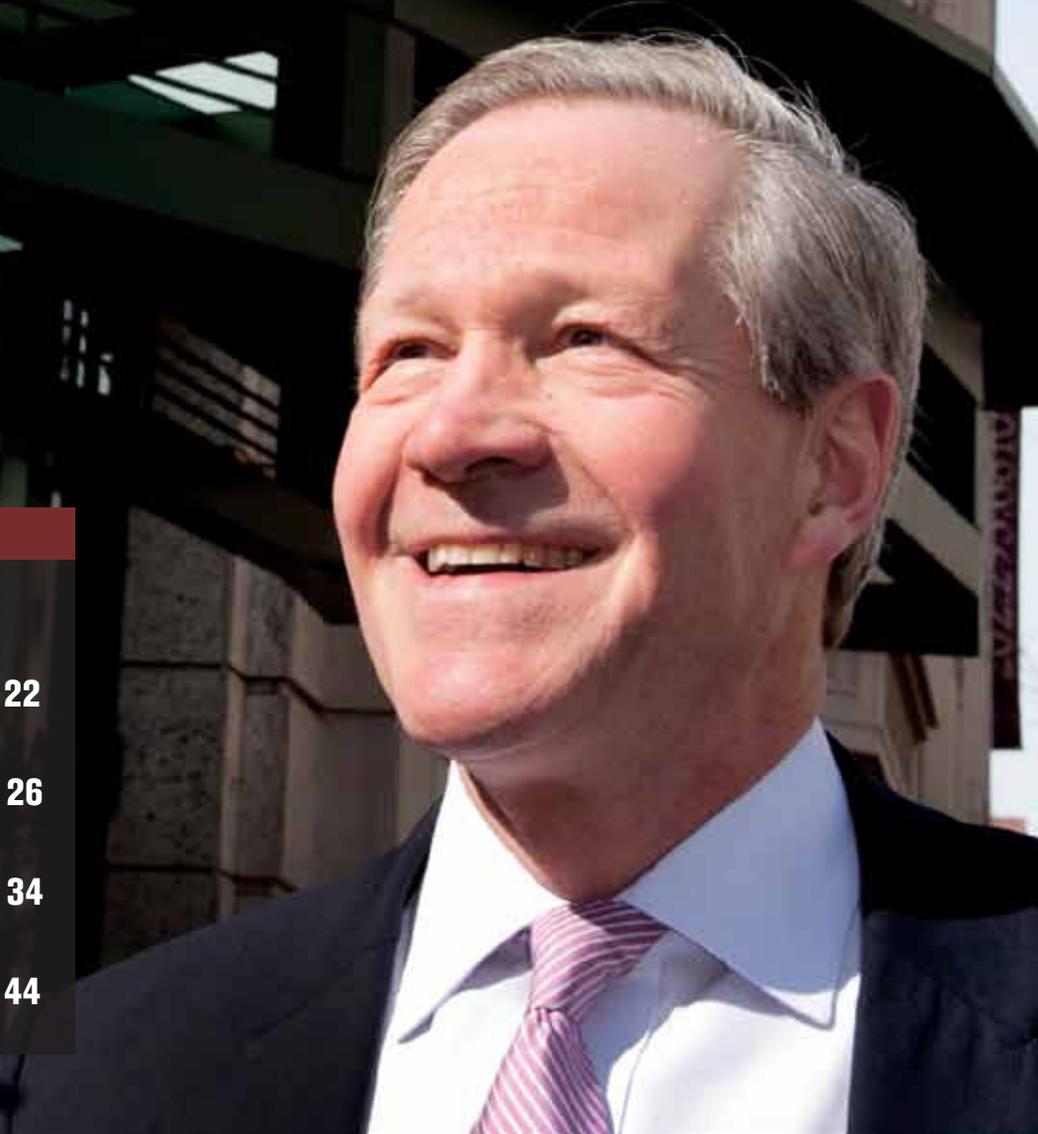
IN THIS ISSUE

California's "anti-sprawl"
planning process gets
underway..... p. 22

The battle over
high-speed rail..... p. 26

Regional Focus:
North Carolina..... p. 34

Weatherization races
the clock..... p. 44



Multifamily Weatherization Hits High Gear

DOE targets apartments for 20% of production as spending deadline nears

Green building gets all the media attention but cutting greenhouse gas emissions from structures depends also on retrofitting existing buildings. Is the \$5 billion provided in the 2009 economic stimulus package making a dent in the problem of inefficient buildings? Sustainable Communities magazine takes an in-depth look at the successes and failures of the Weatherization Assistance Program (WAP), especially in regard to multifamily housing.

With just about a year left to spend around \$2.5 billion in remaining economic stimulus funds, 1,000 state and local administrating agencies are pushing hard to meet goals for retrofitting homes and apartments to save energy. They know the stakes go way beyond just how much they can save low-income families on utility bills.

In the current politically charged atmosphere, nothing would please critics of federal spending on economic stimulus more than failure to spend all the money by the

March 2012 deadline. On the other hand, government watchdogs and cautious housing and environmental groups are concerned that the money will be spent in a rush, accomplishing far too little in the effort to cut energy use from millions of aging single- and multifamily homes.

The federal Weatherization Assistance Program (WAP) received an infusion of just under \$5 billion as part of the 2009 American Recovery and Reinvestment Act (ARRA) stimulus program. The money has to be completely obligated by September 30, 2010 and spent by the end of March 2012.

Success in spending the WAP money has been carefully watched, largely because it represents a one-time cash infusion to upgrade the nation's housing stock. After the money is gone, the most the Department of Energy (DOE) can hope for is \$320 million per year. That's what the Obama Administration is seeking from Congress. The House of Representatives has voted to appropriate nothing for the program.

The program began in 1976 for weatherizing single-family homes. Even though it has been allowable to do multifamily projects since 1985, that authority has not been widely used by local sub recipients. Until now.

With pressure on to get the money out, more states are working to start or accelerate programs aimed at apartments occupied by low-income households.

At press time, states had only spent about half the stimulus money, so they will have to hustle to avoid sending money back to the U.S. Treasury. DOE is saying it expects to spend 95 percent of the money by the deadline based on current rate of spending and production of weatherized units. It has an official goal of 591,000 units, but is hoping to hit 700,000. It expects



◀ Weatherization technicians repair and seal around windows



▲ **Weatherization technician drilling siding for sidewall insulation**

that 20% of those will be in multifamily properties. (See chart for state-by-state breakdown of spending.)

In addition to weatherized units, DOE says it is also creating a new generation of “clean energy workers” and is employing more than 15,000 workers nationwide.

DOE said weatherization assistance reduces energy consumption for low-income families on average 35 percent, saving families on average more than \$400 on their heating and cooling bills in the first year alone. Nationwide, the weatherization of 300,000 homes was complete as of January, saving an estimated \$161 million in energy costs in just the first year.

One of the biggest complaints against the program is the failure to use the funds to retrofit significant numbers of federally assisted apartments. A report from National Consumer Law Center lambastes HUD and DOE for not doing a better job to coordinate their policies to facilitate more work on assisted housing. (See box for details.)

A handful of states moved quickly to take a proactive approach to using the funds for multifamily, according to the Local Initiatives Support Corp (LISC). This includes Florida which allocated 20% for apartments, Rhode Island, which allocated 33% and New York, which created a 12% setaside. Other states that have tried to encourage use of the program for apartments include Ohio, Oregon, Pennsylvania, Texas and Washington.

Now, more states are joining the effort to get apartments into the mix, according to Doug Gurkin of Edgewater Group Energy Solutions (EGES), based in Spicewood, Texas. These states include South Carolina, Georgia, Florida and Michigan, he said.

One of the states just getting into the multifamily weatherization business is Michigan, where CLEAResult, an energy consulting firm, has a state contract to work with the state's 30 community action agencies to get 3,000 apartments weatherized within a year. Gurkin weatherized a 160-unit property in



▲ **Crew installing a solar panel for a solar hot water system**

Holt, Mich., as prototype to help train the staffers implementing the effort.

In California, however, low-income housing advocates are disappointed by the programs' track record. At press time in mid-March, WAP money had been used for only 6,568 multifamily units - of which only 368 are units from projects on the official DOE list of HUD or USDA-assisted properties, according to the state Department of Community Services & Development. There are about 90,000 units of federally assisted rental housing in the state.

Making Strides for Multis

In most years, 6 to 10% of WAP production is for units in multifamily buildings. DOE started pushing to do more multifamily units in 2009, when it entered a memorandum of understanding with the Department of Housing and Urban Development. Since then, DOE says it has more than doubled multifamily as a percentage of its production, said Bob Adams, a supervisor at DOE overseeing the program.

“We feel confident we will surpass 20% of all production being for multifamily in the current program year,” he said.

DOE has been criticized for not doing enough to advance the state of the art in multifamily weatherization. But Adams said it is taking important steps in that direction, directing a great deal of training and technical assistance at helping program subrecipients get up to speed on multifamily.

It is also creating a multifamily energy audit tool that will work for not just WAP-eligible units but all multifamily units. The work is being done by Lawrence Berkeley National Laboratory and Oak Ridge National Laboratory. It will have different modules for different housing types and variations for different regions.

DOE is also starting to put together guidelines on how to do





FACTS AT A GLANCE: Weatherization

Program was created in 1976 and was expanded to include apartments in 1985.

An energy audit is done to determine the scope of work for each unit.

The grant covers 100% of the cost of eligible improvements.

Maximum grant: \$6,500 per unit, plus money to address health and safety risks.

Common areas are not covered.

Usually, master-metered projects can be weatherized if the owner can demonstrate that the cost savings goes to tenants through a reduction of rent.

The program can be used for building-wide improvements, like new central heating, if at least 66% of the units are occupied by eligible low-income households.



▲ **Mick Hayes, intake specialist for Edgewater, talks with managers at CopperTree Apartments in Houston, which was weatherized with federal funds.**

weatherization for apartments, including work specifications and technical reference standards.

He added that DOE is also trying to figure out a way to overcome obstacles to use of the program on housing financed with low-income housing tax credits.

DOE sets the general direction and issues regulations, but the program distributes money by formula to 59 grantees, which in turn distribute it to community action agencies, nonprofits and units of local government.

Some states have given their housing finance agency primary responsibility for the program but there is a great deal of variation in which state agency is in charge.

The program is undergoing its first national evaluation in

two decades. DOE is also spot checking 30,000 units to make sure the work is being done well.

Helping Owners Access WAP

The increasing effort to spend WAP funds for multifamily could help states get the money out in time. It also presents a great opportunity for owners of properties occupied by tenants earning less than 200% of the federal poverty level, or about \$44,100 for a family of four. That's the maximum a household can earn and still be eligible for a weatherization grant.

"With all the differences in the implementation of WAP, one thing remains constant; this is an incredible opportunity for low-income and workforce rental housing to become more

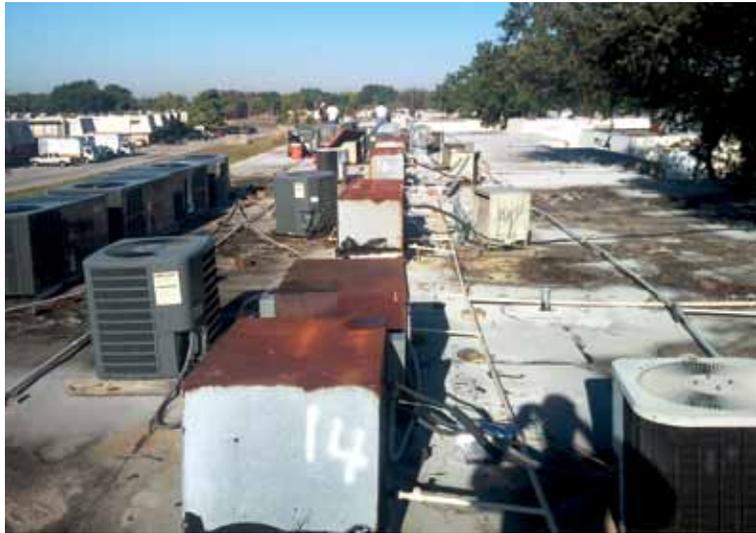
Innovative Approaches Being Tested

To improve the state of the art in building retrofits, DOE awarded grants for innovation in 2010. An award of a Weatherization Innovation Pilot Program grant of \$2.59 million went to Stewards of Affordable Housing for the Future (SAHF) for a demonstration that would leverage the grant three to one with other funds to retrofit 2,500 affordable apartments at a cost of \$3,000-

\$4,000 each. Rick Samson, who heads SAHF's energy division, notes that "the power of the demonstration is twofold. It would bring energy performance contracting into the private affordable housing sector and it would do so largely with borrowed funds, making it widely replicable in the assisted housing portfolio."

There will be a mixture of family and senior properties in perhaps

five or six states, all owned or controlled by SAHF members, who are national nonprofit developers. SAHF is in the final stages of project selection. Typically all units are assisted under section 8 or a project rental assistance contract (PRAC) and in projects that HUD has certified as being eligible or that owners will certify under a process recently released by HUD.



▲ **New HVAC units for individual apartments and units yet to be replaced at CopperTree Apartments**

energy efficient,” said Doug Gurkin of EGES.

In an effort to utilize WAP funds for his own apartment properties, Gurkin realized how complicated the application process was for multifamily. Now he has completed weatherization for several of his own properties and is working as a facilitator for other property owners who need helping making sense of the program.

As DOE acknowledges, only a few states have solid experience making the program work for multifamily. Even in those states, it is still cumbersome, generally requiring evaluation of tenant eligibility and potential improvements on a unit-by-unit basis.

Sub-recipients are responsible for allocating the WAP funds at the local level, and have substantial discretion in how they operate and what they require of applicants.

There has been some effort at the federal level to streamline use of the program for federally assisted apartments for low-income families. The U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) have provided the Department of Energy a list of properties occupied by residents that automatically qualify by income.

Gurkin’s firm has now helped owners of 4,000 units complete weatherization, and has 30,000 more units in the pipeline. He is now working with owners in Arizona, Florida, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, New York State, Ohio, Indiana, Illinois, Missouri, Oklahoma, Tennessee, Washington, Minnesota and Nebraska.

Gurkin said it is important to note that the tenant is the applicant for this program, not the owner. Income information must be gathered for each tenant on properties not on the HUD or USDA lists. Therefore, unless a majority percentage

of tenants agree to provide the required documentation, local sub-recipients cannot perform under the program. Edgewater has perfected a system for getting tenants involved and doing the necessary income and utility spending checks.

In Texas weatherization of multifamily properties is paying off for tenants, said Connie Gray, Housing and Energy Director for Programs for Human Services, Inc. in Orange Texas, which is east of Houston and just a short drive to the Gulf Coast.

“Through WAP and the federal Low Income Home Energy Assistance Program (LIHEAP), low-income apartment residents receiving weatherization measures are no longer having to choose between keeping their loved ones cool or warm, or utilizing their money towards food, medicine or even clothing instead.”

She said weatherization is reducing their cooling and heating bills and keeping their families healthier and more comfortable while conserving energy at the same time. There is a savings of 25-30% in tenant electric bills, which is a huge recurring benefit.

Gurkin’s clients are seeing an average expenditure of \$5,900 per apartment.

Federally Assisted Housing Wastes Energy, Money, Report Says

The Department of Housing and Urban Development (HUD) should be able to save \$1 billion per year off the energy bills for apartments it owns, according to a new report, “Up the Chimney: How HUD’s Inaction Costs Taxpayers Millions and Drives Up Utility Bills for Low-Income Families.”

“In the long run, HUD should be able to reduce its energy



PHOTO: CHANNING JOHNSON

▲ **Charlie Harak**

bill by 20%—representing \$1 billion in savings that could be redirected to high-priority investments in the affordable housing stock,” said the report by Charlie Harak, Senior Attorney for the Energy Project at the National Consumer Law Center >>

»» (NCLC), where he focuses on issues of concern to low-income energy consumers.

The report states that HUD provides housing assistance for more than 3 million American families, 1.3 million living in housing directly owned by public housing authorities (“PHAs”) and 2 million living in privately owned housing where the owner or tenant receives rental assistance from HUD.

Many of the buildings are poorly insulated and stocked with antiquated appliances that are in need of replacement and upgrading, says the report.

HUD’s annual energy bill for its housing programs easily exceeds \$5 billion. Yet in its most recent report on the topic to Congress, it reported shaving off only \$33 million of that multi-billion dollar bill, 2/3 of 1%.

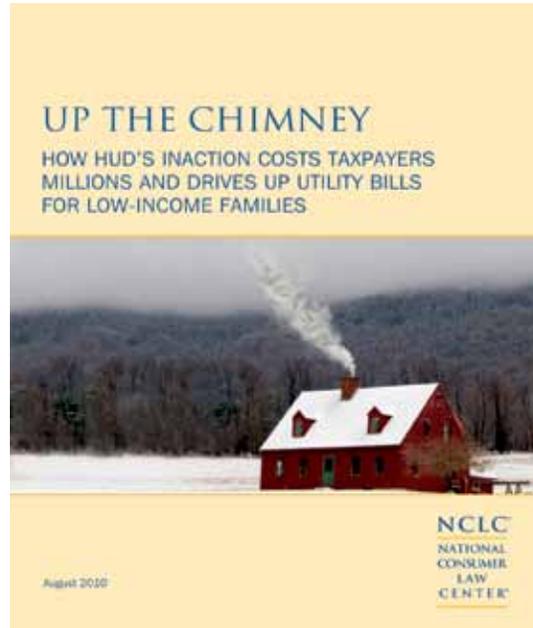
“Clearly, HUD can do better for the taxpayers, for the low-income families it houses, and for our warming planet,” the report states. It summarizes the impacts of HUD’s failures to improve the projects as follows:

“Whether the housing authority pays some or all of the energy bills, taxpayers lose because money that could be more productively spent on needed capital repairs is being wasted on inefficient consumption of energy. Where the tenants pay the energy bills, they run the risk of having their utilities being terminated for non-payment and living without heat, air-conditioning or electricity—and even being evicted—because the energy bills are unaffordable. And regardless of who pays the bills, we all lose because our dependence on fossil fuels which contribute to greenhouse gas emissions and other environmental and public health problems is exacerbated.”

WHERE YOUR STATE STANDS

According to DOE, states where more than 20% of the weatherized units are in multifamily properties (or will be soon) include the following:

Alaska	New York
California	Ohio
District of Columbia	Oregon
Illinois	Texas
Kansas	Virginia
Nevada	Washington
New Jersey	Wisconsin



The report does give HUD credit for making “some good initial steps” with funding made available under the American Recovery and Reinvestment Act (“ARRA”), but it adds, the funding is time-limited.

This paper explores the many ways in which HUD can do better, most of them “free” in the sense that they require no additional appropriations to HUD by Congress—although leadership from HUD as well as technical assistance to subsidized housing owners will surely be required. Seven “free” ways to reduce HUD’s energy bill are delineated, including:

1. Tapping more effectively into the estimated \$4.5 billion utility companies and energy efficiency program administrators spend each year on energy efficiency so that a proportionate share of the funding reaches low-income, multifamily housing;
2. Providing ongoing support to subsidized housing owners that will allow them to coordinate better with the existing low-income Weatherization Assistance Program (“WAP”) which pays for insulation and other energy-efficiency related investments in low-income housing;
3. Better coordination between WAP and HUD’s Community Development Block Grant (“CDBG”) program so that energy efficiency investments can be more easily piggybacked on work already being done on the home through CDBG;
4. Providing assistance to smaller housing authorities so they can utilize “energy performance contracts” that are now almost exclusively used by large, well-staffed housing authorities to improve their energy efficiency;
5. Facilitating greater use of energy efficient “utility allowances,” thereby providing better incentives for housing authorities and private, subsidized owners to invest in energy efficiency;
6. Collecting much better data on energy usage in HUD-subsidized housing; and
7. Setting and attaining energy savings targets for HUD’s housing stock.

The paper also recommends that HUD set up an Office of Energy Efficiency to help 3,300 housing authorities and many thousands more of subsidized owners achieve the maximum energy efficiency savings that are feasible and provide tenant education on energy conservation. 🐼