

# Chapter 6 – Green MIP Panel

## **Moderator**

Adam Roberts, **JLL**

## **Panelists**

Kelsey Shaw, **Partner Energy**

Stephen Evanko, **D3G**

Amy Gay, **Berkadia**

David Wilderman, **HUD**

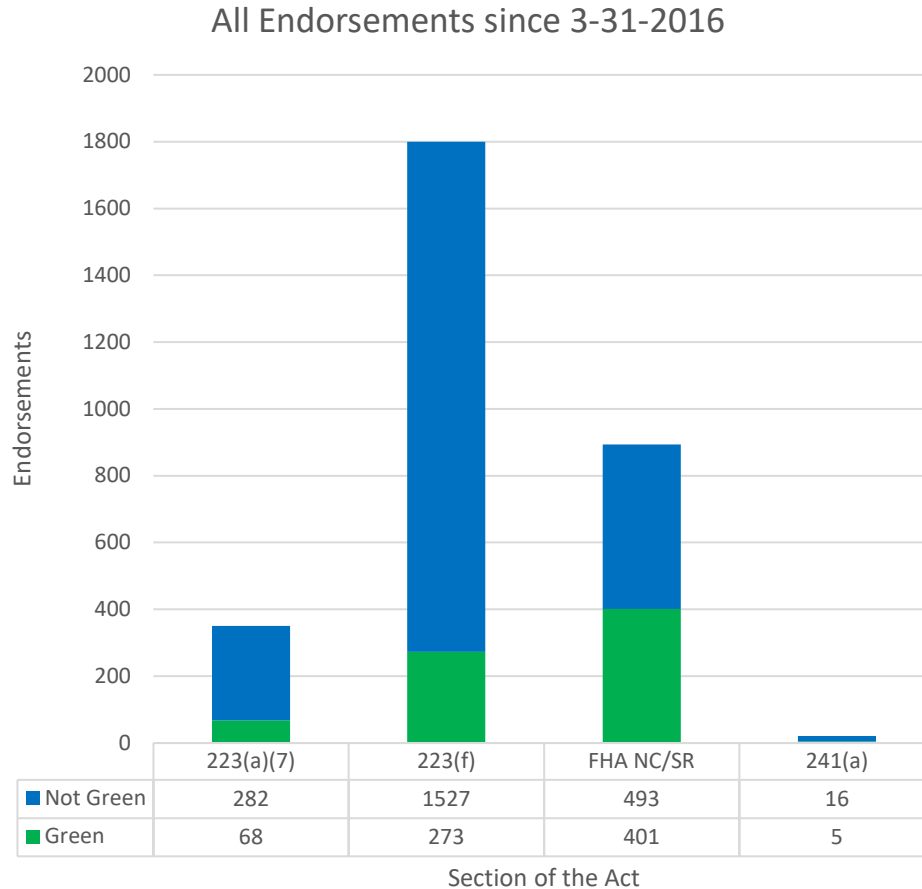
Kevin Han, **HUD**



# **2020 MAP Guide: Green MIP New Chapter 6**

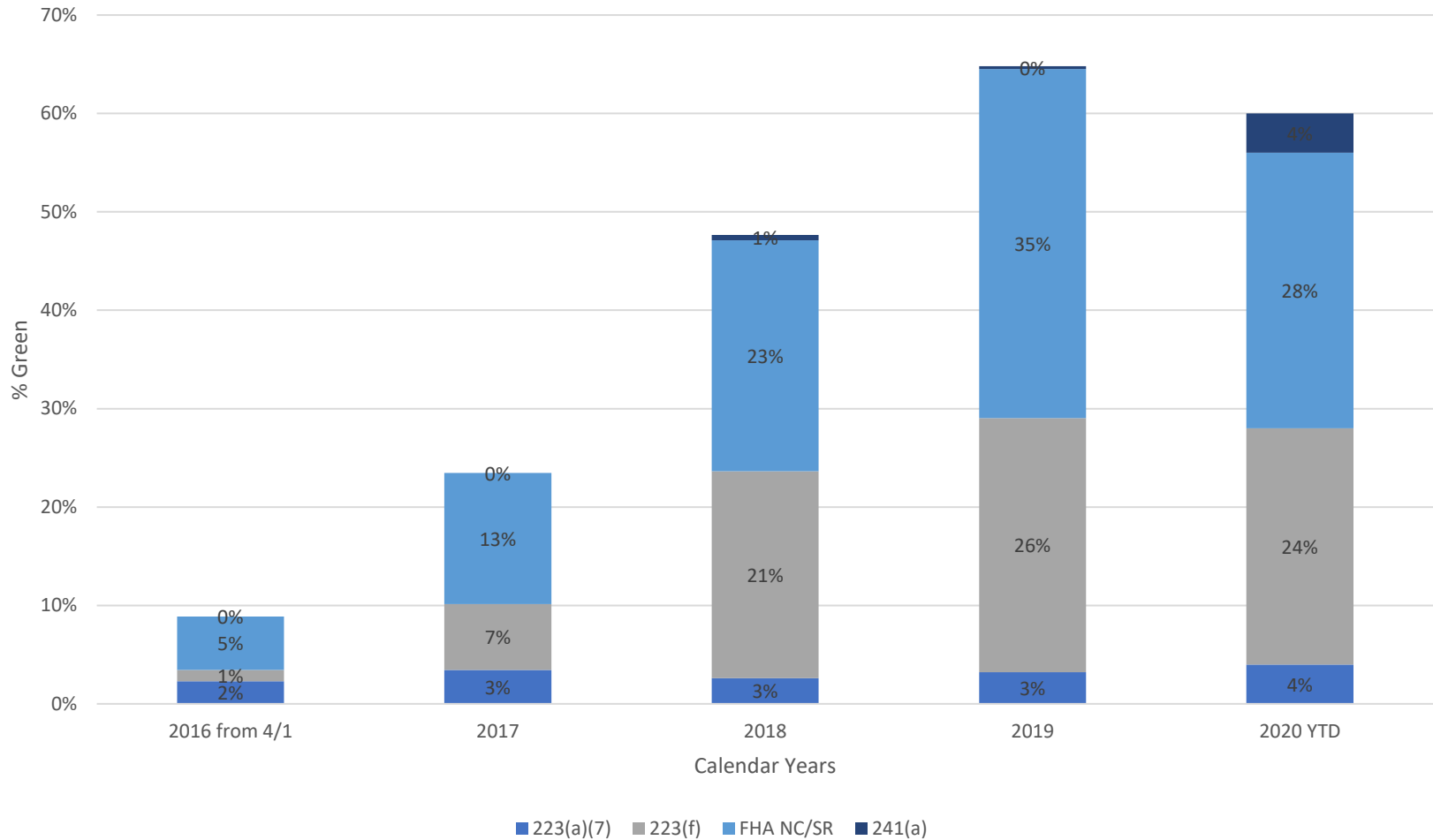
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# Production Volume



- 747 Green loans since MIP Notice
- 24% of all loans
- NC/SR leads among SOAs with over 50% of such loans green in 2019 and YTD

# Percent Green by SOA by Year



# Chapter 6 Key Points

- 1. MIP Notice is about exceeding minimum performance, a simple “quid pro quo”**
  - A. Quid: Borrower exceeds minimum code performance;
  - B. Quo: HUD provides a favorable “Green MIP rate”.
- 2. Corollary: No Superior Performance-No Green MIP Rate**
- 3. HUD relies on green building certifications to set and verify excess over minimum code performance;**
- 4. Corollary: No certification-No Green MIP**
- 5. ENERGY STAR®Score => 75 if # units >20**

# Why Eliminate ENERGY STAR® for Existing Buildings Certification?

- It does not require or measure improvement, status quo or minimum code is frequently sufficient.
- And therefore does not anticipate construction.
- So there is no review of plans or verification of construction, if any proposed.
- Of certifications, it is most susceptible to fraud & abuse.
- Assumes that 75 Score is only requirement for green MIP rate.

- Key Misconception:
  - Green MIP rates are obtained by achieving a green building certification
  - **OR**
  - By getting an ENERGY STAR<sup>®</sup> Score

- Reality:
  - Green MIP rates are obtained by achieving a green building certification
  - **AND**
  - By getting an ENERGY STAR<sup>®</sup> Score

# Chptr 6.3.

- 6.3.A Certifications for New Construction or Sub-Rehab (no history)
  - Enterprise Green
  - LEED
  - ENERGY STAR® New
  - EarthCraft
  - Earth Advantage New
  - Greenpoint New
  - NGBS
  - Passive House
- 6.3.B Certifications for Existing Buildings with Benchmarked history
  - Enterprise Green
  - EarthCraft
  - Greenpoint Existing Whole Building
  - NGBS



# Chapter 6.3

- 6.3.C National or multistate certifications not recognized are ok for prospective use if Architect certifies that:
  - Minimum improved performance: 25% better than HUD minimum design codes (IEEC 2009, ASHRAE 90.1 2007) or 15% better than benchmarked use
  - Independent verification
    - Reviewed plans & specs
    - On-site construction inspection, before closing walls
    - On-site inspection at completion or commissioning
  - Documentation of process, findings, awarded certification

# Chapter 6.6.B: Transition Out of ENERGY STAR® Existing Building Certification

- Limited window of time: Existing Building Certification will remain for 2 years from date of 2020 MAP Guide, but only for properties:
  - With Certificate of Occupancy less than 3 years before date of loan application;
  - With Existing Building Certification achieved and delivered with application; or
  - If less than 12 months @ 85% occupancy, a SEDI indicating 90 with Certification due within 3 months after 12 mos @ 85% occupancy;
  - ENERGY STAR® Score of 90 or higher (no repairs, improvements required to achieve score)(note that certification requires 100% whole building data)

# Asset Management & Continuing Performance SEPs

- Mortgagee Letter & Housing Notice 2020-1
- Instructions on where, when, how to provide Statements of Energy Performance (SEPs) evidencing continuing performance.
- Sanctions for non-compliance

# The Rest of Chapter 6

Is process and procedure

# 221(d)(4) – Green MIP

# Three Main Program Requirements

- ENERGY STAR Score of 75+
- Green Certification
- Annual SEP with 100% data reported for life of loan

# ENERGY STAR Score of 75+

- Energy Model
- SEDI (a result of the energy model)
  - A variety of software's can be used but be sure to use software that calculates the WHOLE property and not just individual unit performance, since that is what ENERGY STAR Portfolio Manager uses in its calculation.
  - Plans and specs are required to calculate the SEDI. If in a prelim stage, design team should weigh in regarding conservative assumptions of plans and specs.
  - If score is close to or lower than 75, design changes may be required.
  - Do a SEDI **before** permitting!

# Green Certification

- Perform a Charrette or Feasibility Study to evaluate path to program eligibility.
- Choosing a program:
  - Cost Effectiveness
  - Local Code Compliance
  - Brand Awareness
- Do this before permitting!

**LEED for HOMES** Project Checklist  
 (Version 1.73 - October 18, 2005)

Builder Name: \_\_\_\_\_ Maximum Points: \_\_\_\_\_  
 Address (Street/City/State): \_\_\_\_\_ Dry Normal Wet

Detailed information on the measures in the checklist below are provided in the companion document "LEED for Homes Rating System"

Yes	No	Location and Linkages (LL)	OR	10	
		1.1 LEED-ND Neighborhood	LL2.5	10	
		2 Site Selection	Avoid Environmentally Sensitive Sites and Farmland	LL1	2
		3.1 Infrastructure	Site within 1/2 Mile of Existing Water, Sewer, and Roads	LL1	1
		3.2	Select an Infill Site	LL1	1
		4.1 Community Resources	Within 1/4 mile of Basic Community Resources / Public Transportation	LL1	1
		4.2	OR Within 1/4 Mile of Extensive Community Resources / Public Transportation	LL1	2
		4.3	AND/OR Within 1/2 Mile of Green Spaces	LL1	1
		5.1 Compact Development	Average Housing Density >= 7 Units / Acre	LL1	1
		5.2	OR Average Housing Density >= 10 Units / Acre	LL1	2
		5.3	OR Average Housing Density >= 20 Units / Acre	LL1	3
		Sub-Total			
Yes	No	Sustainable Sites (SS)		14	
		1.1 Site Stewardship	Minimize Disturbed Area of Site (If Site > 1/3 Acre)	Mandatory	
		1.2	Erosion Controls (During Construction)	Mandatory	
		2.1 Landscaping	Basic Landscaping Design	Mandatory	
		2.2	Apply 3 to 4 Inches of Mulch Around Plants	1	
		2.3	Limit Turf	5	3
		2.4	Minimize Landscape Water Demand	3	2
		3 Shading of Hardscapes	Locate and Plant Trees to Shade Hardscapes	1	
		4.1 Surface Water Management	Install Permeable Material for at Least 65% of Lot (If Lot >= 1/4 acre)	Mandatory	
		4.2	Use Permeable Paving Materials	1	3
		4.3	Design and Install Permanent Erosion Controls	1	2
		5 Non-Toxic Pest Control	Select Insect and Pest Control Alternatives from List	2	
		Sub-Total			
Yes	No	Water Efficiency (WE)		12	
		1.1 Water Reuse	Rainwater Harvesting System	1	
		1.2	Grey Water Re-Use System	1	
		2.1 Irrigation System	Main Shutoff Valve, Sub-Meter, and Third-Party Inspection	Mandatory	
		2.2	Select High Efficiency Measures from List	5	3
		2.3	Rain Sensing Controls	1	
		3.1 Indoor Water Use	High Efficiency Fixtures (Toilets, Showers, and Faucets)	3	
		3.2	OR Very High Efficiency Fixtures (Toilets, Showers, and Faucets)	6	
		Sub-Total			
Yes	No	Indoor Environmental Quality (IEQ)	OR	14	
		1 ENERGY STAR with IAP	Meets ENERGY STAR w/ Indoor Air Package (IAP)	IE2-10	10
		2.1 Combustion Venting	Space Heating and DHW Equip w/ Closed Power Exhaust, & CO Monitor	IE1	Mandatory
		2.2	Fireplaces w/ Outside Air Supply and Closed Combustion	IE1	Mandatory



# Green Building Certification options for 221(d)(4)

- Enterprise Green Communities
- LEED-Home/ Home Midrise / New Construction
- ENERGY STAR New Construction – Single Family / Multifamily / Multifamily-High Rise
- EarthCraft House / Multifamily
- NGBS
- Greenpoint
- Passive House
- Living Building Challenge

# Annual SEP (no sampling)

- Decide best path to annual 100% reporting
  - Design solution?
    - Master meter then sub meter to tenants?
    - Use metering technology?
  - Utility company solution?
    - Does the utility company aggregate?
    - Green lease agreements?
  - Involve property management in Data Collection Plan

# Green MIP for 223(f) and (a)(7) Refinance & Renovations



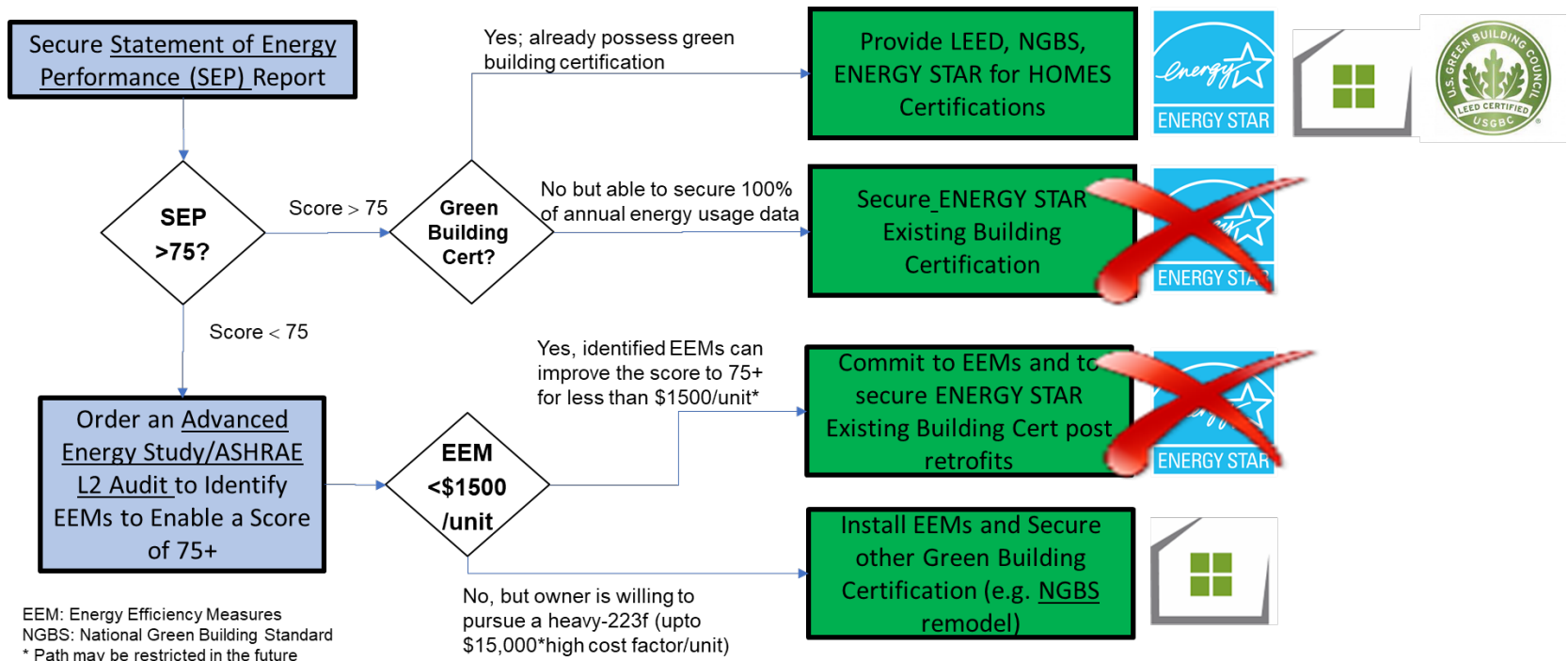
# The three primary requirements to qualify for HUD's Green MIP

Energy Efficient  
Performance  
(score of 75 or more in  
ENERGY STAR Portfolio  
Manager)  
(SEP)

Green Building  
Certification

Commit to Annual  
Energy Benchmarking  
and Maintaining a  
score of 75 or better  
(Data Plan)

# Paths with the removal of ENERGY STAR Existing Building Certifications



# New Guidance for 223(a)(7)

- Green MIP is only applicable if
  - the existing mortgage has a Green MIP rate or
  - the property has previous green building certification which is earned within the last 15 years.
- Application must include an ENERGY STAR Existing Building certification that is based on energy data from within 6 months of loan application
- If 100% of 12-months of energy data is not available
  - Secure a sampled SEP benchmark with a score above 75
  - Non-critical repairs must include the installation of energy monitoring system
  - ENERGY STAR Existing Building certification must be earned within 15-months of the completion of the non-critical repairs

# New Guidance for 223(f)

## Existing Property has previous green certifications (Follow (a)(7) rules)

- Provide evidence of green building certification which must have been earned within last 15 years
- Recently built projects must have been equipped with ENERGY STAR certified appliances per section 6.7.A
- If 100% of 12-months of energy data is not available provide a SEDI with a score above 75
- Data Plan prepared by Qualified Energy Professional

OR

## Commit to earning a new green building certification appropriate to a remodel

- SEP Energy Benchmark
  - if 100% data is unavailable, 25%+ sampling is permitted and extrapolation method must be explained
- ASHRAE Energy Audit to assess improvement scope
  - ASHRAE Level 2 Energy Audit acceptable where general contractor is retained to estimate costs
  - ASHRAE Level 3 Energy Audit is required if no GC is retained
- CNA should include energy usage for each recommended energy efficiency measure (EEM)
- SEDI report demonstrating that a score above 75 will be obtained with the recommended EEMs
- Earn Green Building Certification within 15 months
- Data Plan prepared by Qualified Energy Professional

# Properties with existing green certification; their path to green MIP

- Property with a green certification that was earned within the past 15 years (LEED, NGBS, ENERGY STAR for Homes or Hi-Rise, EarthCraft, etc)
- Recently built projects must have been equipped with ENERGY STAR certified appliances per guidance in 6.7.A
- Follow the (a7) guidance
  - SEP Benchmark with score of 75+ (based on 100% 12-months of energy data) & ENERGY STAR Existing Building Certification (awarded within 6 months of application)
  - For properties that do not have a full 12-months of data, there is an exception to provide a SEDI with score of 75+ for new buildings and sample SEP for older buildings that do not have 100% data.
- Data Plan prepared by Qualified Energy Professional

**Advise any developer who will be seeking 223(f) in future to secure a green building certification during the construction phase!**



# SEP <75 → energy audit and modeling

- Secure an Advanced Energy Study / ASHRAE Level 2 Energy Audit to identify a cost-effective path to score 75 or better
  - Should be based on site-specific energy models that are calibrated to current building performance.
  - Should evaluate various EEMs
  - A full SEDI should be generated with a score comfortably above 75
  - Lenders should be skeptical that operational changes alone will show a significant savings(e.g. programmable thermostats, setting back temperature on water heaters)

**Set expectations. This route will take some investment.**

# Options to Earn a Green Building Certification

- Green Building Certification Options
  - Enterprise Green Communities (National; AH only)
  - EarthCraft-Remodel (Southeast)
  - Greenpoint (California)
  - **NGBS-Remodel (National)**
  - Or non-recognized standard meeting requirements 6.3.C
- NGBS – Remodel Bronze
  - 15% Energy Efficiency Improvement
  - 20% Water Efficiency Improvement
  - Score at least 88 other green practice points

# Summary of Key Changes and Clarifications

- Require ENERGY STAR Certified Appliances
- SEP & Data Plan must be performed by Qualified Energy Professional
- Qualifications for Energy Modeling are based on the type of buildings
- Essentially no sampling for SEPs: 100% aggregated data from utility or install remote meters/data-loggers
- Submitted SEP should be based on data within 6 months of application
- Clear definition that if ENERGY STAR algorithm is changed, past loans will be held to the energy use intensity (EUI) at time of application