Green MIP

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HUD Green MIP Reduction

Basic Concepts, Terminology and Best Practices

April 2, 2018

Green MIP

How do I get it?

Green Certification

(LEED, National Green Building Standard, ENERGY STAR Cert, etc.)

AND

ENERGY STAR Score of 75+

(**annual reporting)**

Green MIP

Common Challenges and Effort Required

- Access to tenant utility data annually
  - Utility companies vary across the US
  - Meter reading technology/ Data loggers can be a good strategy
  - Addendums to leases
- Existing Buildings – Capital improvements may be needed
  - Lighting, HVAC, DHW, Windows, Roof
- New Construction – More costly construction may be necessary

Terminology

- **ENERGY STAR** – Means many things in different contexts
  - ENERGY STAR labels efficient appliances and equipment
  - **ENERGY STAR Portfolio Manager** – database of building performance
    - SEP and SEDI are created from Portfolio Manager
  - **ENERGY STAR Certification** - New Homes/ Existing buildings – ES has its own green standard program

- **Green Standard** – Industry recognized achievement program
  - AKA Green Certification, Green Building Rating, Green Recognition
  - E.g. LEED, NGBS, ENERGY STAR New Homes, GreenPoint, Earthcraft

- **Standard Keeper** – Organization that controls/administers a green standard
  - U.S. Green Building Standard (LEED)
  - Home Innovations (NGBS)

Terminology

- **SEP** – Statement of Energy Performance (ENERGY STAR Portfolio Manager)
  - Score, Scoring, Rating

- **SEDI** – Statement of Energy Design Intent
  - Pulls from the same database that the SEP does
  - Main difference is that the SEDI is based on either:
    - Plans and Specs, or
    - Projected building alterations (e.g. results of ASHRAE Audit)

- **ASHRAE Level II Energy Audit**
  - ASHRAE (American Society of Heating, Refrigeration and Air Conditioning Engineers) is a protocol
  - Levels I, II, II simply indicate level of accuracy and thoroughness
  - Energy Audits use energy models and other analysis to predict the impact certain upgrades can have on building energy/water use

Terminology

- **Energy Model –** computer software used to simulate building energy performance.
  - HUD docs refer to "utility analysis" to prepare SEDI; energy model is one way to do this.
  - eQuest, EnergyPro, Trane Trace, etc. Important to model WHOLE building

- **Benchmarking** (Utility Benchmarking) – The process of gathering and displaying utility data for purposes of reporting energy performance and/or identifying trends over time.

- **Data Collection** (Utility data collection) – Gathering the utility data for use in benchmarking. This strategy varies based on how a property is metered and how the utility companies work.

- **Charrette/ Green Charrette –** An in-depth meeting with the design team, owner and/or other vendors to work through and ensure programmatic requirements for a construction project will be met. E.g. LEED checklist, energy code compliance, etc.

222(a)(7) or 223(f) - No Retrofits

Step 1: Initial Planning/ Concept Meeting	• How is it metered? What are the utility companies? • Start collecting utility bills • Run SEP to check eligibility
Step 2: Firm Application	• Get ENERGY STAR certification if eligible • Write utility data collection plan
Step 3: At Closing	• Circulate utility data collection plan to relevant parties • Final and executed HUD required documentation

222(a)(7) or 223(f) - No Retrofits

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Step 3: At Closing

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223(f)-With Energy Retrofits/Repairs

Step 1: Initial Planning/ Concept Meeting

- How is it metered? What are the utility companies?
- Start collecting utility bills
- Run SEP to check initial score
- Look into green standards/ perform charrette

Step 2: Firm Application

- Order ASHRAE II audit to identify required improvements
- Commit to green standard
- Write utility data collection plan

Step 3: At Closing

- Prepare for green standard requirements and milestones
- Circulate utility data collection plan to relevant parties
- Final and executed HUD required documentation

223(f)-With Energy Retrofits/Repairs

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- How is it metered? What are the utility companies?
- Start collecting utility bills
- Run SEP to check initial score
- Look into green standards/ perform charrette

Step 2: Firm Application

Step 3: At Closing

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- Commit to green standard
- Write utility data collection plan

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Step 2: Firm Application

Step 3: At Closing

- Prepare for green standard requirements and milestones
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- Final and executed HUD required documentation

221(d)(4)

Step 1: Concept Meeting	•Think about which green standard you want to pursue •Consider the experience of design team
Step 2: Pre-Application	•Consider utility metering in the design •Document green standard milestones
Step 2.5: SEDI Analysis and Green Standard Charrette	•Revisit until 75+ is achieved •Make sure green standard minimums are being met
Step 3: Firm Application	•Final utility data collection plan •Requirements for green recognition must be documented in construction documents
Step 4: At Closing	•Confirm all parties understand their commitments: Lender, Owner, Design Team, Construction Team, Green Raters, Property Management •Final and executed HUD required documentation

221(d)(4)

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- Think about which green standard you want to pursue
- Consider the experience of design team

Step 2: Pre-Application

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Step 3: Firm Application

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221(d)(4)

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Step 2: Pre-Application

- Consider utility metering in the design
- Document green standard milestones

Step 2.5: SEDI Analysis and Green Standard Charrette

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221(d)(4)

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221(d)(4)

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- Final utility data collection plan
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221(d)(4) Timing

Step 1: Concept Meeting

Step 2: Pre-Application

Step 2.5: SEDI Analysis and Green Standard Charrette

Step 3: Firm Application

Step 4: At Closing

- Confirm all parties understand their commitments: Lender, Owner, Design Team, Construction Team, Green Raters, Property Management
- Final and executed HUD required documentation

All projects – Post Closing

Post Closing/Annual Evaluation

- Follow green standard protocols and milestones during construction
- Receive green certification
- Plan and prepare for annual update: Hint: Save your utility data collection plan!
- Monitor SEP and have a plan in place if score drops
- Educate building staff and tenants as applicable

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Green MIP
NORTHEAST REGION

Sheila Galicki| Chief, Technical Specialist Branch

WHAT IS THE SECRET TO QUALIFY FOR THE 25 BP MIP REDUCTION

Formula for Success:

Green Recognition + Energy Performance = MIP Reduction

Green Recognition

(aka "certification" per Earthcraft, LEED, National Green Building Standard, etc)

Energy Performance

(annual ENERGY STAR score of 75+)

I achieved less than a score of 75, how I can I qualify or the reduced Green MIP?

If a borrower would like to pursue the MIP reduction to 25 basis points for green buildings, a needs assessor and energy auditor must be engaged. The professional must meet the qualifications listed in the 2016 MAP Guide.

The duties, responsibilities and qualifications of the project architect and energy professionals are described in Chapter 5, Section 5.3 and 5.2 of the MAP Guide.

TOP MIP GREEN DEFICIENCIES

#1 223f Application submitted with a score below 75, minimal improvements proposed and no energy professional Retrofit Plan;

#2 223f Application w/o Retrofit, submitted for reduced MIP without an Official Green Certification;

#3 223a7/223f Application submitted requesting reduced MIP request waiver of the CNAetool. Insured prior to 2016.

Summary of Energy Performance Requirement

Provide Data Collection Plan

- All SOA apps with proposed Green MIP Reduction
- With or Before Firm Application

Deliver SEP documenting first year energy performance with ENERGY STAR score 75+

Note: a score of no less than 75 must be achieved within 15 months, which will include the 12 months of reporting.

- SOA 220, 221, 231 Sustaining Occupancy + 15 months, then annual
- SOA 223 w/Retrofits Completion of Repairs + 15 months, then annual
- SOA 223 NO Retrofits Endorsement + 15 months, then annual

Post Closing Monitoring

SEP Submission to HUD Asset Management

New York Regional Office – NCY.incoming@HUD.gov

NY, NJ, PA

Baltimore Satellite Office – BAL.incoming@HUD.gov

MD, VA, WV, DE, DC

Boston Satellite Office – BOS.incoming@hud.gov

MA, CT, NH, ME, VT, RI

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Green MIP
CURRENT PERSPECTIVES

Kevin J. Han | HUD Technical Specialist

Green MIP Initial Endorsements

	2016		2017		2018	
	# Loans	$ Volume	# Loans	$ Volume	# Loans	$ Volume
223a7 Green	**9**	**308,288,000**	**25**	**743,724,600**	**9**	**155,212,500**
223a7 Total	*146*	*1,754,619,400*	*183*	*2,552,642,000*	*25*	*240,369,300*
223f Green	**5**	**174,934,200**	**40**	**1,000,048,200**	**13**	**358,113,200**
223f Total	*446*	*4,557,626,470*	*572*	*7,266,103,750*	*145*	*1,977,956,800*
221d4 Green	**16**	**557,191,300**	**82**	**2,755,572,300**	**38**	**1,318,894,500**
221d4 Total	*206*	*3,629,924,300*	*199*	*4,403,052,554*	*101*	*2,242,369,000*
Total Green	**30**	**1,040,415,516**	**147**	**4,499,347,117**	**60**	**1,832,222,218**
Total Initial Endorsement	*805*	*9,960,814,370*	*959*	*14,271,562,904*	*272*	*4,464,712,400*

Green MIP Initial Endorsements

	2016		2017		2018	
	# Loans	$ Volume	# Loans	$ Volume	# Loans	$ Volume
Total Green	**30**	**1,040,415,516**	**147**	**4,499,347,117**	**60**	**1,832,222,218**
Total Initial Endorsement	*805*	*9,960,814,370*	*959*	*14,271,562,904*	*272*	*4,464,712,400*

	# Loans	$ Volume	# Loans	$ Volume	# Loans	$ Volume
Green %	**4%**	**10%**	**15%**	**32%**	**22%**	**41%**

GUIDANCE UPDATE:

Green Standards for Existing Buildings

- *Energy Star for Existing Buildings & LEED Existing Buildings Operations and Management (LEED EBOM)*

ENERGY STAR PARTNER

LEED EXISTING BUILDINGS OPERATIONS AND MAINTENANCE

- ❑ These particular Standards are designed to award **based on verified existing performance;**
- ❑ Standards lack evaluation and monitoring of proposed improvements / construction.

GUIDANCE UPDATE:

Green Standards for Existing Buildings

- *Clarification on **Energy Star for Existing Buildings***
  - ❑ Certification based on:
    - ✓ **Actual energy consumption data;**
    - ✓ **100% entire property;**
    - ✓ **Past 12-consecutive months.**

  - ❑ No acceptance of anticipated/projected scores (often based on sampled data);
  - ❑ Cannot be prospective on proposed improvements;
  - ❑ Official Certification required at the time of Firm Commitment Application.

GUIDANCE UPDATE:

Green Standards for Existing Buildings

- *Refinancing of **Newly Constructed Projects***

  ❑ New construction after September 2016 **without** the Green Standard Certification (e.g. LEED, NGBS, etc.):

  ✓ May not refinance to qualify for Green MIP using Green Standards for Existing Buildings (i.e. Energy Star & LEED EBOM);

  ✓ This restriction applies within the first 3-years from the date of certificate of occupancy.

GUIDANCE UPDATE:

Annual Energy Performance

- *Failure to Provide Satisfactory Annual Energy Scores*

  - ❑ **Scenario:** Updates of EPA's benchmarked stock properties used for Energy Star Score scale.

  - ❑ **HUD Response**:
    - ✓ HUD will review the actual energy consumption (Energy Use Intensity in kBtu) figures;
    - ✓ Compare the EUI against the initial/original EUI;
    - ✓ HUD may waive the minimum 75 Score for the year of non-compliance if the EUI remained the same or better, and;
    - ✓ Owner elects energy improvement measures to implement.

BEST PRACTICES RECOMMENDATION:

Energy Data Collection

- *Ensuring Annual Energy Consumption Data Collection*

❑ **Scenario:**

✓ Individual tenant metered property (no master meter at the property level);

✓ No State or Local Government law/regulation requiring energy benchmarking;

✓ Utility Provider(s) casual agreement to provide aggregate Energy Data at the property;

= No definite guarantee of annual data needed for Energy Star Scores (SEP) submissions.

BEST PRACTICES RECOMMENDATION:

Energy Data Collection

- *Ensuring Annual Energy Consumption Data Collection*

❑ **HUD's Recommendation:**

✓ Be cautious about casual agreements (e.g. email exchange from a staff from the utility company);

✓ Check to see if the Utility Provider already has the benchmarking system in place for the customers (e.g. benchmarking website for the owners to login, etc.)

✓ Installation of data-logging devices (aka sub-metering) for the entire property (100% data).