

2010 NCSHA ANNUAL AWARDS FOR PROGRAM EXCELLENCE

Category and Subcategory:
Legislative Campaign-Federal Campaign

Energy efficiency and renewable energy generate more economic output with less energy input. Both serve as an essential component towards a more sustainable future, for reasons of energy supply security, economic competitiveness, and improvement in quality of life. Until recently, these energy initiatives required large up-front investment, which takes several years to pay off. The challenge of obtaining funding and how best to implement it still remains the subject of a complex and far reaching debate. Presently, conventional banks do not offer financing and the only financing options for multifamily buildings include equipment loans, refinancing against the entire building, or an energy service company (ESCO).

ADVANCE THE OVERALL MISSION OF THE AGENCY

The New Jersey Housing and Mortgage Finance Agency (HMFA) is committed to preserving quality affordable housing by offering innovative financing for energy efficiency and renewable energy upgrades on existing buildings. The Agency has prioritized the notion of turning green into *tangible green* through upfront financing based on projected energy savings/production. This priority was made into a reality in 2009 when the HMFA was the sub recipient of \$40 million of American Recovery and Reinvestment Act of 2009 (ARRA) funds from the U.S Department of Energy. As a result the Agency launched four (4) innovative energy financing programs targeting energy efficiency for both multifamily residential buildings and single family homes.

The HMFA ARRA programs, which can be replicated by any financial institution include the Multifamily Weatherization Assistance Program (MF WAP), Multifamily Energy Efficiency Improvement Program (MEEIP), Solar Funding Pilot Program (Solar), and Home Energy Saver Program (HESP). Together the programs will create jobs, preserve existing buildings, and lower utility costs for families residing in both multifamily buildings and individual homes across New Jersey.

The HMFA's energy programs not only advance New Jersey's strategic energy objective of a 20 percent reduction in energy consumption and a 30 percent increase in renewable energy production by the year 2020, but also advance HMFA's mission to preserve affordable housing in New Jersey through innovative financing options and green and sustainable technologies.

FORGE EFFECTIVE PARTNERSHIPS WITH OTHER STATE AND FEDERAL AGENCIES

In efforts to achieve a maximum level of impact, the HMFA ARRA Energy programs leverage additional resources through already existing energy efficiency and renewable energy programs. The Board of Public Utilities Office of Clean Energy, Pay for Performance Program provides energy audits, technical assistance, and rebates for energy efficiency improvements. The Board of Public Utilities Office of Clean Energy also offers the Renewable Energy Incentive Program (REIP), which provides incentives that reduce the upfront cost of installing renewable energy systems, like solar PV systems. In addition to the state resources, the Solar program requires participants to apply for the 30% Investment Tax Credit (ITC), which is offered in the form of a grant for the year 2010.

REPLICABLE ENERGY PROGRAMS

Multifamily Weatherization Assistance Program: The HMFA received \$30 million in ARRA funding to launch the Multifamily Weatherization Assistance Program (MF WAP). The program provides grants for energy efficiency upgrades on multifamily buildings that have a primary mortgage with the HMFA. Participants of the program are required to extend the affordability controls on the property for an additional 15 years. Participants receive a grant up to \$5,000 for each affordable unit per building that is participating in the program. Program participants must enlist in the “Pay for Performance” program. To date, the MF WAP has issued grants on 33 multifamily buildings, netting an investment of \$27 million in energy efficiency improvements on residential buildings throughout the state.

Multifamily Energy Efficiency Improvement Program: The HMFA received \$4 million in ARRA funding for the Multifamily Energy Efficiency Improvement Pilot (MEEIP). The program provides a low interest loan for energy efficiency upgrades on multifamily buildings that are at least 20 years in age and have an existing primary mortgage with the HMFA or a multifamily building proposed to be renovated with an HMFA primary mortgage. Program participants are required to extend the affordability controls on the building for an additional 15 years. Eligible applicants will receive a loan up to \$2,000 per unit or up to \$500,000 for the entire building with an interest rate of 2%. Participants must also enlist in the Board of Public Utilities Office of Clean Energy “Pay for Performance” program.

The Home Energy Saver Program (“HESP”): HMFA has been allocated \$4 million in ARRA funding for a loan program that provides eligible homeowners with zero percent interest financing for home energy efficiency improvements installed by a program approved contractor. The improvements financed under this program must demonstrate an annual energy savings of at least 25%. Eligible homeowners must be the primary occupants residing in the New Jersey residence. Participants must obtain a Home Performance with ENERGY STAR energy audit. The eligible program improvements include insulation, air

sealing, repair and replacement of heating, air conditioning upgrades, water heaters, installation of ENERGY STAR rated windows.

Investments in energy efficiency improvements are highly cost-effective, and significantly less expensive than developing new plants and burning additional fuel. Efficiency improvements enhance the reliability of electricity supplies by reducing system loads and stresses. The HMFA's energy efficiency programs will stabilize the building's system and enable a more reliable and efficient operation.

Multifamily Solar Funding Pilot Program: The HMFA received \$7 million for a program that provides no interest financing to install solar photovoltaic (PV) renewable energy systems on the roof of multifamily buildings with an existing primary mortgage with HMFA or a multifamily building proposed to be renovated with an HMFA primary mortgage. Program participants are required to extend the affordability controls for an additional 15 years. The building must carry at least 20 kW of common area electric loads to accommodate a minimum of 20kW system.

The loan is sized on the expected Solar Renewable Energy Certificate (SREC) production for 15 years at a maximum value of \$400/SREC. The SRECs are assigned to the HMFA for 15 years as repayment on the loan. The loan must be leveraged with the Office of Clean Energy Program's Renewable Energy Incentive Program (REIP) and Federal Business Energy Investment Tax Credits (ITC) reducing the upfront cost of solar projects by 100 percent. The Agency is finding the demand for this popular program is exceeding the available resources.

New Jersey's SREC market remains very competitive since the conversion to a market-based REC financing system which trades the SRECs freely on an open market and provides some degree of price certainty to solar investors. The buoyant price of New Jersey SRECs is an attractive incentive to solar investors. The renewable energy market in New Jersey is an innovative approach to economic development, enhanced market growth and project cost improvements through scale.

ACHIEVE STRATEGIC OBJECTIVES

To demonstrate measurable results from these four (4) programs, the Agency is engaging in an energy benchmarking initiative to assess each project's energy consumption prior to participating in the programs, and measuring the reduced utility costs for after the building's participation. The energy benchmarking will clearly make the overall asset management strategy more efficient by enabling building managers to carry utility allowances in their operating budget

REACH TARGET AUDIENCES

The ARRA Energy programs were effectively created in response to the heightening cost of utilities, which has a direct impact on working families in New Jersey. The programs promote environmental performance, energy efficiency, health and durability of housing in New Jersey. Participants of the multifamily programs (MF WAP, MEEIP, and Solar) are required to extend the affordability controls on the residential building for an additional 15 years, therefore preserving the HMFA's commitment to providing affordable housing through an effective use of resources. The Agency is proud of the success for all four programs and their mission to promote modern sustainable improvements on existing buildings. The Agency remains committed to using the ARRA programs as a model launching future energy programs.