

Better Buildings Webinar Series

We'll be starting in just a few minutes....

Tell us...please send your response to the webinar organizers via the question box:

What topics are you interested in for future webinars?



Made to Fit

How Paid-From-Savings
Projects Can Work for Small
Organizations, Too

February 7, 2016
3:00-4:00 PM ET

Relevance of this Topic

- ▶ **Both small and large** organizations encounter technical and financing barriers to installing **energy and water saving** improvements in their multifamily properties
- ▶ There are several ways to address some of these impediments
- ▶ This webinar provides information on when and how owners may use a pay from savings model



Today's Presenters

Name

Organization

Toni Gallo



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Jeff Greenberger



**Affordable Communities Energy
(ACE)**

Richard Santangelo



Apollo Engineering Solutions

Webinar Logistics

- ▶ All participants will be muted during presentation
- ▶ Question and Answer period during the last 20 minutes of the webinar
- ▶ Questions may be submitted throughout the webinar by typing them in the Chat box
- ▶ Session will be archived and posted to the web



Today's Topics

- ▶ Objective of webinar
- ▶ Definitions
- ▶ Benefits
- ▶ Challenges
- ▶ Solutions
- ▶ Process
- ▶ Q&A



Today's Objective

To describe how **both small and large** organizations can overcome the technical and financing barriers to installing **energy and water saving** improvements using a **pay from savings** approach



Definitions

- ▶ **ECMs:** “Energy conservation measures,” may also include water conservation measures and renewable energy systems
- ▶ **Public Housing:** Government-administered (HUD), federal aid to 3,300 housing agencies for eligible low-income families, the elderly, and persons with disabilities
- ▶ **Affordable Housing:** Partially government-subsidized housing affordable by individuals whose income is below the median household income (tax credits, below-market loans, direct rental subsidies)
- ▶ **Pay from savings (PFS):** Using energy and water savings to repay the cost of installing ECMs



Why Bother? The Benefits of PFS Projects

- ▶ New/repaired energy & water systems = reduced O&M Costs
- ▶ Lower utility costs = higher operating income
 - ❑ Freeing scarce funds for other needs
 - ❑ Higher Asset Value
- ▶ Improved resident health and comfort
- ▶ Reduced greenhouse effect
- ▶ Jobs for the local economy
- ▶ U.S. energy independence



Key Challenges: Affordable Housing

- ▶ **Resources:** “Our staff doesn’t even have time to think about it.”
- ▶ **Expertise:** “We don’t know what to change or how to assess the risks.”
- ▶ **Capital:** “We don’t have a way to pay for these improvements.”
 - ❑ We don’t have extra money lying around
 - ❑ Our institutional balance sheet has to be used for affordable housing
 - ❑ No new liens, our multiple layers of capital don’t want to be disturbed
 - ❑ We don’t have enough confidence in the returns to borrow money



Key Challenges: Public Housing

- ▶ **Resources:** “Process is too complicated; 12-18 months installation; RAD option”
- ▶ **Expertise:** “Energy not core mission; lack of experience; where do I begin?”
- ▶ **Capital:** “PHAs risk averse; closed community of lenders; guaranteed savings
 - ❑ What collateral is available to secure the loan?
 - ❑ What impact will proration of funding have on debt service?
 - ❑ What is the impact to debt service if the PHA transitions to RAD?
 - ❑ Where is the guarantee in savings if my project is self-managed versus an ESCo-managed project?



PFS Solutions: Affordable Housing

▶ Lease Agreements

- ❑ Equivalent of financing
- ❑ Limited to certain measures (large equipment, renewables, etc.)
- ❑ On balance sheet as capital lease

▶ Energy Services Agreements (ESA) and Power Purchase Agreements (PPA)

- ❑ Equivalent of financing
- ❑ Not generally limited in what improvements are covered
- ❑ On balance sheet as capital lease (probably)
- ❑ Length of agreements vary (10 to 25 years)

▶ “Low-hanging Fruit” Approach

- ❑ Just do what can be paid for through grants, incentives, rebates, etc.



PFS Solutions: Public Housing

- ▶ Lease purchase agreements or long-term debt by third-party institutions
 - ❑ HUD incentives
 - ❑ Established and well capitalized market for EPCs
- ▶ Capital Fund or Capital Fund financing (limited incentives)
- ▶ Off balance sheet financing
- ▶ Power Purchase Agreements (PPA)
- ▶ Tax credit financing
- ▶ Grants (state, etc.); utility rebates



What Do We Need to Consider?

▶ What Do We Need to Know?

- ❑ Recent utility consumption
- ❑ Condition of systems; recent replacements or repairs
 - ❑ Resident comfort, health and safety
 - ❑ Evidence of need for repairs or replacement, inefficient operations
- ❑ Where in the redevelopment cycle; disposition plans (AH)
- ❑ Stakeholders

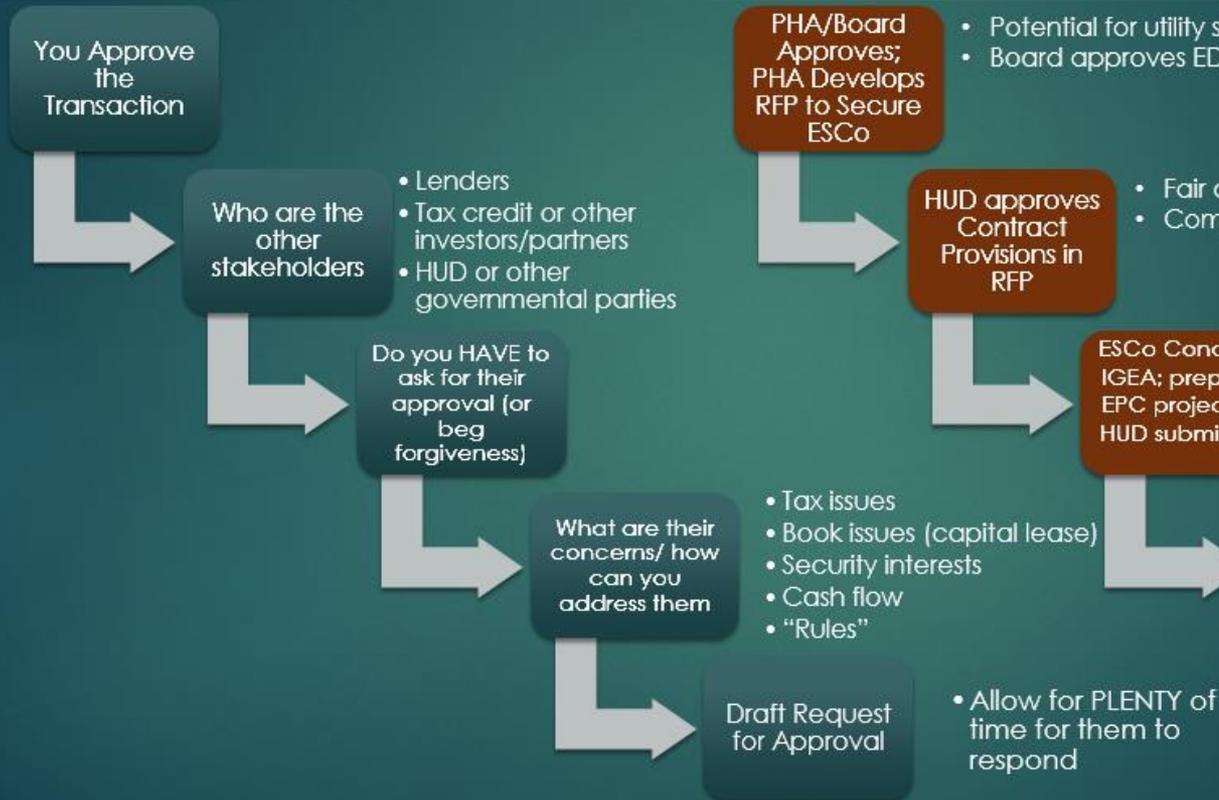
▶ What Are Our Goals/Limitations?

- ❑ Short-term vs. greater total benefits
- ❑ Ability to self-fund, some or all of the costs
- ❑ Risk tolerance
- ❑ Value to our institution of environmental goals

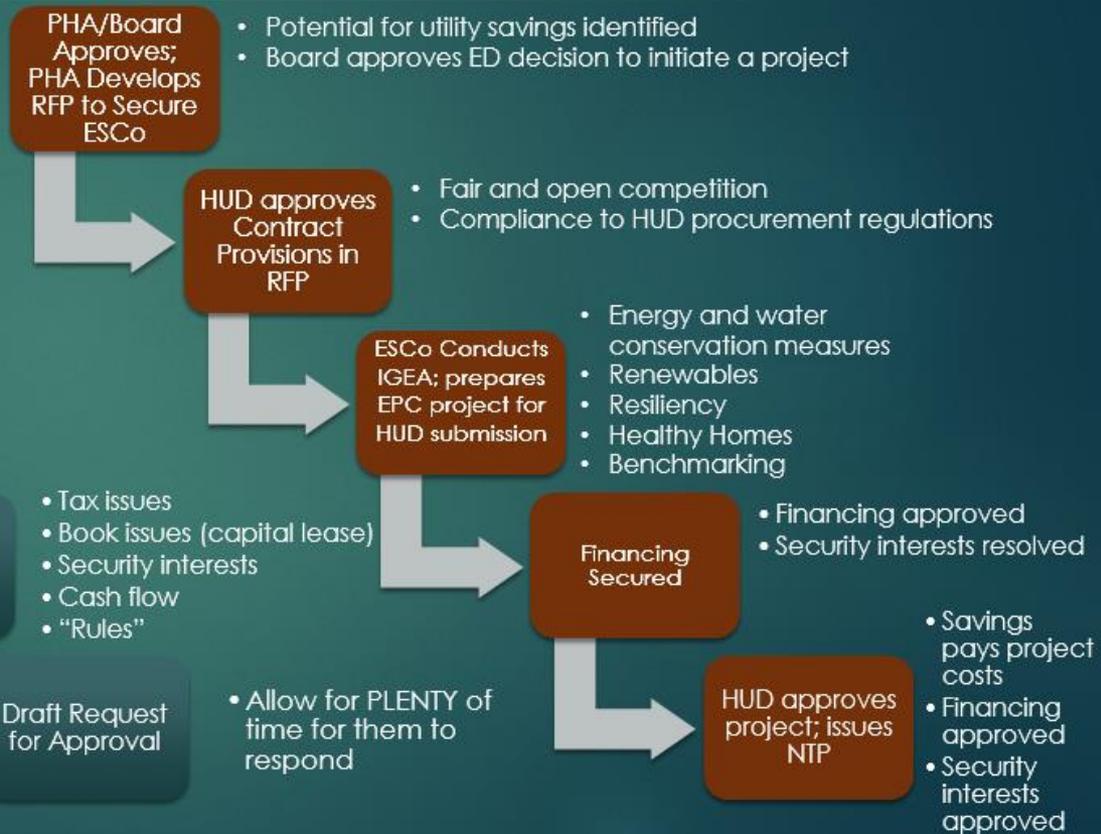


You've Gotten to "Yes," What Now?

Affordable Housing

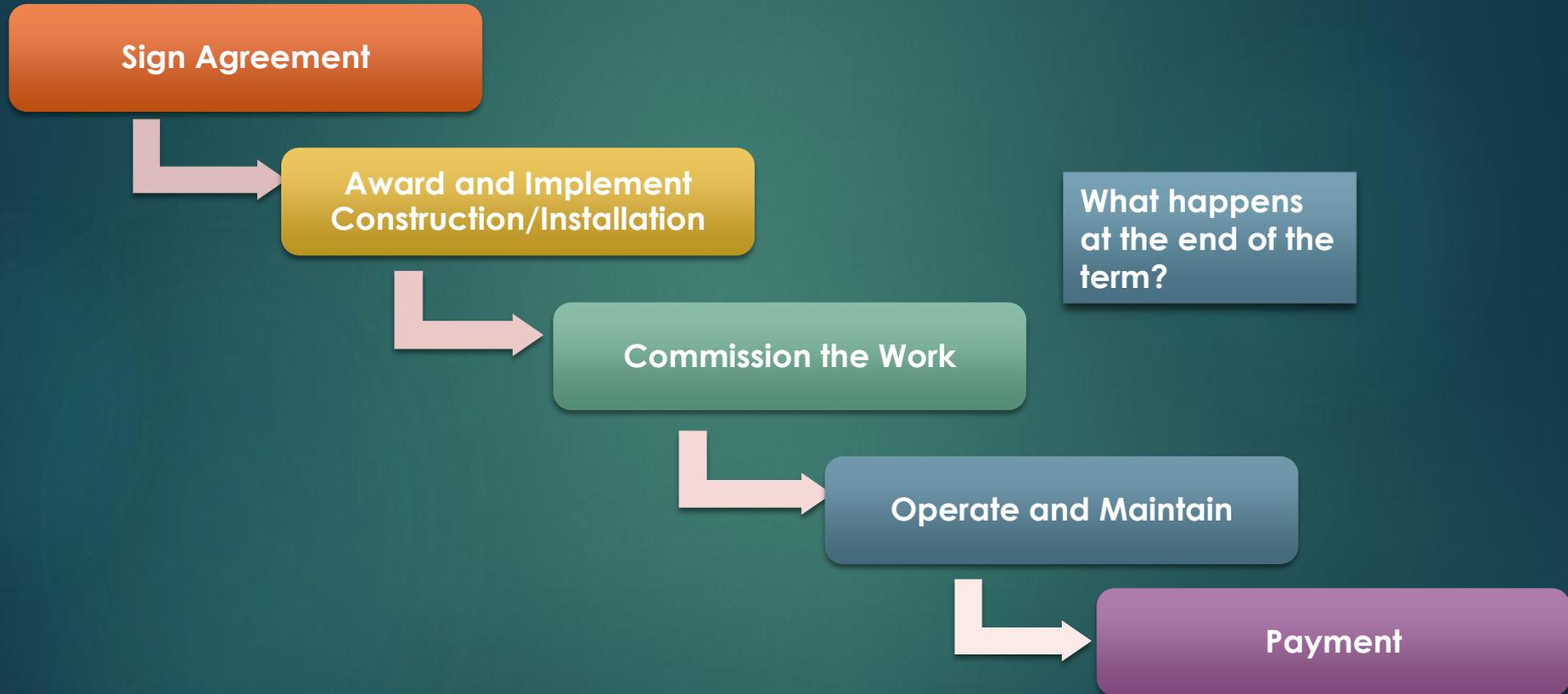


Public Housing



You Have Approval; What Happens Now?

Affordable and Public Housing



Thank You

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Additional Resources

Resources

- NAHRO Journal of Housing and Community Development, March/April 2016, [***The Intersection of EPC and RAD: A Roadmap for PHAs***](#)
 - Article addresses the decision-making process for a PHA considering the transition to HUD's Rental Assistance Demonstration Program.
- NAHRO Journal of Housing and Community Development, May/June 2014, [***Fuel Cell Technology Applications in PHAs***](#)
 - Article addresses the potential cost benefits and resiliency aspects of considering fuel cell technology in public housing authorities.
- [**HUD's Energy Performance Contracting, on HUD.gov**](#)

Q & A

Better Buildings Webinar Series



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Additional Questions? Please Contact Us

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