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August 3, 2009

Mr. Bill Pennington
California Energy Commission
1516 Ninth Street, MS-29
Sacramento, CA 95814-5512

Dear Mr. Pennington,

Enterprise Community Partners would like to request that the SEP guidelines support the affordable multifamily rental housing sector as an eligible candidate for California Comprehensive Residential Building Retrofit Program funding. Additionally, on behalf of Enterprise and major Bay Area affordable housing developers, jurisdictional and green jobs partners, we would like to:

1. Make the case for multifamily housing as a critical sector for addressing energy efficiency and
2. Recommend ways that SEP funding can be deployed most effectively to support multifamily retrofit efforts

Enterprise is a national non-profit intermediary that works with developers and all levels of government to ensure that safe, fit, affordable housing is available to all Americans, regardless of economic status. Our national Green Communities Initiative is launching programs around the country to facilitate the energy and water efficiency retrofitting of existing affordable multifamily housing¹.

The San Francisco Bay Area Enterprise office has just launched its Green Retrofit Pilot Program for existing affordable multifamily housing. The Green Retrofit Pilot Program provides services and financing to retrofit up to 600 affordable apartment units occupied by households at or below 200% of the poverty level. Retrofits are projected to be completed by fall 2010. The program will work with unions, community colleges and job training programs to link retrofit efforts to local green jobs programs.

Attachment "A" is a copy of our "Invitation to Apply" to our program. The invitation was extended to twelve of the largest owners of affordable housing in the Bay Area (included as Attachment "B"). Together, these groups have an aggregated portfolio of over 64,000 housing units throughout the greater Bay Area and beyond.

¹ The term "affordable multifamily housing" refers to rental units, generally found in apartment buildings and similar attached housing types, (as opposed to single family detached and/or ownership housing) developed with public funding which restricts rents to a level affordable to low income households and where the units are restricted to occupancy by these same households.

Multifamily Housing is a Critical Sector for Addressing Energy Efficiency

SEP funds deployed to increase energy efficiency in multifamily housing will meet the goals of DOE and the CEC as outlined below:

Volume: In the Bay Area, there are tens of thousands of units of affordable housing situated in multifamily buildings (ie: rental apartments) that range in size from 6 units to over 100 units per building. Many of these properties are older, poorly performing structures, including very old single room occupancy hotels to inexpensively constructed 1960's garden style apartments. As mentioned, Enterprise anticipates that in the first year of our pilot, we can complete the energy retrofitting of 600 housing units which would be dispersed between 10 to 15 different properties. In addition, we do not expect to need any marketing ramp up time (discussed further, below).

Readiness: The owners of these properties are often non-profit developers who are, by virtue of mission and regulatory requirements, long term owners of these properties. All of these developers continually look at how to upgrade their older properties, and are ready to weave in energy efficiency measures into these renovations. The biggest inhibiting factors are lack of funds and technical expertise.

Enterprise has designed a program to overcome these barriers by delivering the necessary technical services and packaging the financing. We are ready to hit the ground running, and the response to our Invitation to Apply has been impressive: ten of the twelve groups participated in our application webinar, the remaining two have been in contact with us as prospective applicants.

Job Creation: These projects will generate green jobs, and the volume of production indicated above means more such jobs. The affordable multifamily housing sector identified in these comments are community-oriented, often partnering with local community based organizations on their projects, and are closely linked to the cities and counties in which their properties are located. As a result, these project sponsors are well positioned to tap into the green job training and placement programs funded through the CEC and other ARRA programs and operated by local agencies and unions. In addition, as mission based organizations, there will not be a learning curve or educational process involved in integrating this important component into these projects.

The Center on Wisconsin Strategy, Workforce Alliance and The Apollo Alliance estimate that each \$1 million investment in the rehabilitation of affordable housing yields between eight to eleven on-site jobs. ("Greener Pathways: Jobs and Workforce Development in the Clean Energy Economy" (2008)). The Oregon Housing and Community Services' study of some of its affordable residential development and rehabilitation projects found that for each job created on site another 1.5 jobs on average are created offsite. (Pg 25, Oregon Housing and Community Services, "Housing as an Economic Stimulus: The Economic and Community Benefits of Affordable Housing Development" (2005).

Based on these projections Enterprise's Bay Area Pilot alone could create as many as 48-66 onsite jobs and 72-99 offsite jobs.

Disadvantaged Areas: The occupants of these housing units are low income households, generally at or below 200% of the poverty level. The households will greatly benefit from energy retrofits in their building either as a result of lower utility bills or increased residential comfort, or both. Bringing energy efficiency to this sector ensures that the lowest income residents of our State not only get the individual advantages of the retrofits, but also are afforded the ability to decrease their energy use and be good environmental stewards. Finally, these properties typically have a resident services program which is an ideal platform from which to operate consumer education about energy use and the environment.

Leverage: There are various sources of funding that can be used in renovating affordable housing, though it is uncommon that any one source is adequate to complete a renovation project. This is because most government funding sources rely heavily on the concept of leverage. As such, SEP funding would be heavily leveraged by other sources such as private capital (debt and equity), HUD, State housing program funding, and local redevelopment funding, as well as weatherization and energy efficiency and conservation block grants.

Sustainability: The CEC appears open to the use of SEP funds within a debt structure, as indicated by the list of allowable uses for the Municipal Financing District component. In a multifamily financing scenario, by using SEP funds in a debt stack, along with other forms of capital, there will be a repayment stream with interest. This would result in the SEP funds being recycled for use in future projects, ensuring the sustainability of the program beyond the first infusion of the SEP funds.

Recommendations

Based on the reasons identified above, we feel that it would be beneficial for the CEC to ensure that SEP funding can be used for affordable multifamily housing. It appears that the Comprehensive Residential Building Retrofit Program may be the best match for this. To best facilitate this, we offer the following two proposals:

1. Use of Funds:

We propose that an eligible use of SEP funds in the Comprehensive Residential Building Retrofit Program component be **top loss position loan capital**. Based on our experience as a Community Development Financial Institution (CDFI), we know that by placing flexible capital in this position, we can bring in an equivalent or greater amount of additional private capital to a project and lend it to energy retrofit projects. Public sector capital such as the SEP funds structured in this proposed manner can serve two purposes; 1) lower the overall cost of the total capital to the projects and 2) assume the first loss position. Both of these roles are crucial in leveraging CDFI capital by lowering the investor risk and making the debt more affordable to the end user. As described above, these funds can earn interest and revolve for use in future projects.

2. **Eligible Applicants:** At present the Comprehensive Residential Building Retrofit Program component contemplates only local governments as the leaders of consortia to carry out programs. We propose that non-governmental entities be eligible as well for the following reasons:

- Private entities are more likely to be able to launch innovative, new programs with more speed and nimbleness than government.
- Intermediary non-profits, such as Enterprise (and there are many others throughout the State), have a proven track record of accessing private capital from banks, GSEs, corporations and foundations.²
- In a region such as the Bay Area, it may be difficult to organize a regional approach that is somewhere between a single county and the entire Bay Area (via ABAG structure, for example). With a private entity in the lead, it will be possible to attract those cities and counties that offer the highest density of multifamily affordable housing as well as commitment to partnering and bringing resources to the table.

In the specific case of our program, our intention is to craft a collaborative effort between government, owners and other related partners. Toward this end, we have reached out to governmental, non-profit and other agencies who we anticipate could play some role in the pilot. Attachment “C” is a listing of the groups we have contacted. Across the board, we have found these entities to be very responsive to the concept of including multifamily affordable housing in the universe of energy efficiency project types.

In conclusion, we hope that you will consider how the SEP can deploy resources for affordable multifamily housing to create energy efficiency for a substantial number of households with an accompanying volume of green jobs. While this discussion has used the Enterprise program as an example of how this can happen, there are many other groups and efforts around the State that could take advantage of this offering with the same outcomes.

I would very much appreciate the opportunity to discuss both the particulars of multifamily affordable rental housing as well as our program with you in person. Please advise if this would be possible. I can be reached at (415) 395-4752. Thank you very much for your time and consideration.

Sincerely,

Maryann Leshin
Director, Bay Area Programs

² The Enterprise Bay Area Green Retrofit Pilot has attracted funding from HUD and the Surdna Foundation and applications are in to several other foundations for grants and program related investments.

Attachment “A”



SAN FRANCISCO BAY AREA

**INVITATION TO APPLY :
GREEN RETROFIT PILOT PROGRAM**

ONLY INVITED ORGANIZATIONS MAY APPLY

***PARTICIPATION IN PILOT ACCOMPANIED BY \$25,000 GRANT
AND ENERGY CONSULTING ASSISTANCE***

APPLICATIONS DUE: AUGUST 14, 2009, 5PM

I. Background on the Pilot Program

The San Francisco Enterprise office is launching a program to advance the green retrofit and rehab of affordable multifamily rental properties in the Bay Area (“the Program”). The Program will provide services and help fund a range of projects from stand-alone energy-efficiency upgrades to rehabs that may be part of refinancing and resyndication efforts (such as tax credit year-15 projects).

The goals of the Program are to:

- Increase energy and water efficiency and improve the healthiness of properties while improving property cash flow and/or providing necessary physical improvements
- Dovetail with developers’ efforts to improve and preserve aging properties
- Link retrofit efforts to local green jobs programs
- Reduce greenhouse gas emissions; assist localities in meeting mandate of AB32

Enterprise’s Green Communities Initiative is spearheading a national effort to bring technical support and financial products to existing affordable housing through green retrofit. At present, we are launching programs in New York City, Chicago and Ohio, with additional efforts in preliminary stages of development and implementation in the Pacific Northwest and the Northeast. Those furthest along incorporate both the provision of energy services consulting and a debt component. Debt repayment is based on projected operating savings achieved as a result of the energy efficiency improvements. In addition, the Enterprise efforts seek to incorporate federal, state and local subsidies (such as weatherization and energy efficiency and water conservation bock grant funds) into these multifamily projects.

In the Bay Area, we are using this pilot program as a vehicle to test the following assumptions, which if successful, would enable us to take this model to scale:

- The provision of technical support is a value add for our non-profit affordable housing partners (see Section II for a description of this support)
- A viable debt component can be implemented, repaid by operational savings, in a property with existing lenders
- The amount of debt needed can be reduced by bringing in HUD/EPA/DOE and other resources such as weatherization funds, and/or energy efficiency and conservation block grants, and/or state energy program funds

Enterprise will select three to four developers to participate in the pilot, and anticipates that each developer will contribute between two and four properties to the pilot.

II. What Enterprise brings to the table; what Enterprise will ask of pilot participants

We anticipate that this pilot will be an iterative process. Our intention is to be flexible and work collaboratively with pilot participants to arrive at the best approaches for the pilot properties and re-evaluate our approach each step of the way (as necessary).

Enterprise will bring the following resources to the pilot:

- \$25,000 grant for each participant which can be used flexibly (ie: staff, predevelopment expenses)³
- Energy consulting services, contracted through Enterprise, to produce an energy audit, or other building assessment/evaluation, as deemed appropriate for each pilot property.
- Assistance with assembling and packaging the financing, which could include the Enterprise Community Loan Fund, one of Enterprise Community Investments' multifamily mortgage products and/or equity, as well as other by-right and/or competitive energy and water related rebates, incentives and subsidies
- Technical support delivered via two consultants Enterprise has hired to assist in the implementation of the pilot.
 - Heschong Mahone Group (HMG)
 - Fran Hereth, Kango Development LLC

Technical support will be offered to all participants and may include, but is not limited, to:

- Setting up energy/water data collection system for each property
- Analysis of energy and water usage data
- Energy modeling
- Estimating cost of improvements
- Financial modeling to project savings based on various improvement scenarios
- Assisting with bid/contractor selection process

³ To receive a grant, participants will need to fill out several forms. The grant funds are HUD Section 4 dollars and thus require that we complete certain due diligence activities and clearly articulate the use of the funds and the outcomes to be achieved. Enterprise staff will endeavor to complete as much of this as we can to minimize impact on participants' time. Please see Attachment "A" for grant information.

- Construction management of energy efficiency and water conservation improvements (as needed, depending on whether non-retrofit rehab components are part of a larger construction work scope)
- Monitoring energy and water use and assisting with adjustments needed after rehab
- Setting up system for ongoing measurement, verification including training of operations and maintenance staff

We will ask each participant to agree to the following:

- Designate a project manager as the point person for the retrofits; someone who can commit time to effectively carry out this effort;
- Commitment to work collaboratively with Enterprise, discuss options, and evaluate any needed mid-course corrections;
- Maintain an open and honest line of communication with Enterprise during the life of the pilot; and
- Participate in an evaluation of the pilot

Enterprise's goal is to provide high quality service and make the process of energy efficiency retrofitting as streamlined and profitable as possible.

III. Timeline

- **July 20, 2009:** Invitation issued
- **August 14, 2009:** Applications due BY EMAIL
 - We cannot accept late responses
 - Email to: Maryann Leshin at mleshin@enterprisecommunity.org
- **August 28, 2009:** Pilot participants selected. All applicants will be notified by email.
- **September 11, 2009:** Select properties for pilot
- **Mid-September – December 2009:**
 - Grant funds disbursed to pilot participants
 - Energy audits/energy modeling
 - Work scopes defined and estimated
 - Financing identified

We anticipate being able to initiate the retrofitting of the first several projects by the end of 2009 or early 2010, depending upon the financing.

IV. How to Apply

The application process consists of two forms:

1. **Background Information Form:** a one-page form (page 6)
2. **Portfolio Application Worksheet (attached to email):** This is to be filled in with information on every property contemplated as a candidate for the pilot program, in accordance with the threshold criteria noted below. The Worksheet will enable us to evaluate which developers have properties in their portfolio that best match the selection criteria we have developed for this pilot (see Section V. below).

IMPORTANT THRESHOLD INFORMATION: Only properties that meet the following criteria should be included in Worksheet:

- Constructed before 2005
- Located in San Francisco, Alameda County, Contra Costa County, or Santa Clara County

Instructions are provided in the first tab of this worksheet. *Please read these carefully.* Applicants are only required to fill in the blue Portfolio Application Worksheet tab. A webinar will be held to explain the worksheet, as well as the entire workbook, and to answer any questions about this Invitation to Apply..

The Webinar will be held on

**Monday, July 27th
1:00 pm – 3:00 pm**

WEBINAR INSTRUCTIONS:

1. To join the meeting.

<https://www2.gotomeeting.com/join/687076890>

2. Join the conference call:

Dial 218-844-4935

Access Code: 687-076-890

Audio PIN: Shown after joining the meeting

Meeting ID: 687-076-890

Applications are to be submitted via email by August 14, 2009 at 5:00 pm to: Maryann Leshin at mleshin@enterprisecommunity.org. You can contact Maryann by email or phone (415-395-4752) at any time before or after the Webinar.

V. Selection Considerations

The selection process will take into account various considerations that pertain to the properties submitted in the application. *We will not be applying any selection criteria to the applicants themselves; all those invited to apply are equally qualified to participate.*

The following are our considerations:

- Age of buildings/equipment and need for energy efficiency upgrades
- Master metered vs. individually metered
- Whether property is positioned for a resyndication or refinance in the near term
- Location in a jurisdiction that has a stated interest in committing weatherization, energy efficiency and conservation block grant or other local dollars to retrofitting of multifamily affordable housing.

While the application does not request information on local jurisdiction interest, if you have information on this that will be helpful in screening some, or all, of your properties, please submit a separate word document narrative explaining this. Enterprise has made some initial outreach to staff in San Francisco, Berkeley, Alameda County, Contra Costa County, Richmond and San Jose.

These criteria are not yet weighted and may be applied in a comparative way. We will be looking for clusters that create cohorts of projects with like characteristics that lend themselves to advancing jointly. Depending on the size of any given cohort, we may look to advance between one to three cohorts for this pilot. Examples of these clusters/cohorts are:

- Master-metered buildings
- Buildings located in a jurisdiction that expresses an interest in deploying weatherization or energy efficiency and conservation block grant dollars to several projects in their community
- Section 202 refinance candidates
- Properties with the same permanent lender

These are just examples. Until we see the property listing and collate the data, it is difficult to determine which properties will be selected for the pilot.

VI. FOR MORE INFORMATION

Please contact Maryann Leshin at mleshin@enterprisecommunity.org or (415) 395-4752

I. Background Information Form

*This Background Information Form should be signed by Executive Director /CEO/
President, scanned, and emailed.*

Organization Name

Organization Mailing Address

City, State, ZIP

Phone

Fax

Tax ID Number

Contact Name

Contact Phone Number

Contact Email

Signed:

Date:

Print Name & Title:

ATTACHMENT “A”

If you are Awarded a Grant

If you are selected to receive a grant, we will need the following documentation:

- Match Certification Form confirming a 3:1 match, which shows that your organization has 3 non-Federal dollars available to every 1 Enterprise Section 4 dollar awarded. The matching funds may include donations, grants, loans from banks, developer fees, etc.
- Detailed budget worksheet
- If you are paying for salaries with the grant, you will need to fill out a Salary Worksheet that depicts the pay rates and fringe benefits associated with positions that are being paid for by the grant.
- Verification by Enterprise staff that the grantee organization is in good standing with any and all Enterprise grants, loans, or equity investment.
- If we do not already have them on file, we may ask for:
 - i. 501(c)3 letter
 - ii. Audited financials
 - iii. Completed Enterprise Financial Assessment Questionnaire

This information is provided to give you a sense of the grant making process. If you are selected for the pilot and awarded a grant, we will provide all needed forms and support to complete the grant making process.

Attachment “B”

Green Retrofit Invitation to Apply List

1. Resources for Community Development
2. Eden Housing
3. Bridge Housing
4. Mercy Housing California
5. Satellite Housing
6. EAH Housing
7. Mid Peninsula Housing Coalition
8. Tenderloin Neighborhood Development Corporation
9. Community Housing Partnership
10. East Bay Asian Local Development Corporation
11. Affordable Housing Associates
12. Citizens Housing

Attachment “C”

GREEN RETROFIT CONTACTS

Jurisdictions

San Francisco	Dan Adams
Alameda County	Damien Gossett Linda Gardner Michelle Starratt
City of San Jose	Kristen Clements
Contra Costa County	Kara Douglas Damien Hardman
City of Richmond	Eliron Hamburger
City of Berkeley	Gail Feldman
ABAG	Ezra Rapport

Partners

LISC	Cathy Craig Erin Camarena
Built It Green	Cath Merschel Tenaya Asan
Stopwaste.org	Heather Larson
Strategic Energy Innovations	Jeffrey Summerville
PG & E	Ophelia Basgal Alicia Bert Catherine Squire

Financing Entities

Low Income Investment Fund	Kim Latimer- Nelligan
Renewable Funding	Simon Bryce
New Resources Bank	Peter Lui
Union Bank of CA	Jim Mather

State/Federal Entities

EPA	Leif Magnuson
HUD	Wayne Waite

Other

Bay Area Council	Andrew Michael
Working Partnerships	Louise Auerhahn
Building Efficiency	David Hamburger
The Energy Center	Nicole Halpern