



## **In Focus – MIP Reduction,** **Meeting Program Reporting Data Requirements**

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In April, HUD implemented its Mortgage Insurance Premium (MIP) Reduction dropping the MIP to 25 basis points for green, energy-efficient multifamily properties. This basis point reduction in the MIP is a significant financial incentive and should be attractive to most all builders. The program should greatly advance green building practices in the multifamily sector. The specific program requirements include securing a green building certification and ensuring energy-efficient operation over the life of the loan. The requirements must be well understood by owners and lenders, including the following statement from the notice:

*“the owner must certify that it has achieved, or will pursue, achieve, and maintain a score of 75 or better on the 1–100 ENERGY STAR score, using EPA’s Portfolio Manager. The reasonableness of achieving and maintaining the specified, independent green building standard, and the score of 75 or better in Portfolio Manager, must be verified by the independent conclusion of the qualified assessor preparing the physical condition assessment, and supported by the physical condition assessment report and recommendations, ASHRAE level II energy audit (required for existing structures only), and plans for new construction, or rehabilitation, repairs, and operations and maintenance. The physical condition assessment report submitted with the mortgage insurance application must include a certification from the architect, engineer, or energy auditor that the planned scope of work is reasonably sufficient to achieve and maintain the specified certification. Additionally, the owner must submit to HUD evidence that the specified, independent green building standard has been achieved, and provide a copy of the Portfolio Manager report showing building performance at or above 75, when those standards have been achieved, and no more than 15 months after completion of new construction, substantial rehabilitation or renovations or 15 months after break-even occupancy. If not achieved, HUD may impose protocols to ensure the owner brings the property into compliance, similar to protocols used by REAC for unacceptable property standards. The owner must submit the Portfolio Manager report annually to HUD showing that the property has maintained its efficiency performance.”*

The requirement to demonstrate building performance at or above a 75 Energy Star score should not be left until the last minute. Leveraging energy modeling and the Statement of Energy Design (SEDI) throughout the design process can help ensure that the property is tracking toward sufficient energy efficiency performance and mitigate risk. But owners will need to ensure they are tracking energy performance and operating the building to maintain a 75 Energy Star score for the long term.

In August, HUD clarified expectations to ensure that property owners not only design to the green standards but that they also demonstrate their plan to obtain and report on the whole-building energy data. The August 25<sup>th</sup> Presentation “Green MIP Reduction: The Destination, and the Way to Get There HUD-FHA MF Production Webinar” prepared by the HUD Office of Multifamily housing addresses the complexities with obtaining utility data. The following key concepts were introduced:

- **Utility Data Collection Plan**
  - HUD is requiring a “data collection plan” with or before Firm Application for the Green MIP Reduction.
  - The plan must demonstrate the owner’s understanding of utility data needs, management procedures for obtaining data, and technical solutions.
  - The plan shall detail periodic steps and technology to obtain, organize, store and report data to the EPA Portfolio Manager system.
  - The plan is to detail the roles & requirements of each utility provider at a specific property.
  - The plan shall include details regarding tenant cooperation, the impact of turnover, and potential tenant resistance to prescribed methods of data collection.

In addition, HUD issued their Interim Sampling Routine to alleviate concerns with collection of all utility data, from all meters and sources at a property. Lessons learned during the HUD GRP and RAD programs demonstrated the frustrations of obtaining whole property utility data. The following is HUD’s Interim Sampling Routine to be used for HUD Statement of Energy Performance scores and benchmarking (please note, this HUD sampling routine is not compliant with the Green Building Certification data collection required for EnergyStar rated buildings).

- **HUD’s Interim Sampling Routine:**
  - If whole building data is available, it must be used.
  - However, if not available then utility data from 25% of units must be collected. Data sources must be randomly selected, provided the following are proportionately represented by the sample set:
    - Unit types
    - Buildings
    - Each size (s.f.) and direction (N, E, S, W) of unit exterior wall elevation
    - Each building floor or level
    - Each materially different HVAC package
  - A properly selected sample may be repeated year to year for annual HUD SEP compliance.
  - NOTE: This sampling plan is not complaint with EPA EnergyStar building certification.

Managers of individually metered properties understand the complexities of trying to gather the requested energy data. Obtaining 12-months of data from hundreds of residents is not a simple or easy task. In the absence of energy disclosure or benchmarking regulations, the utility companies are simply unwilling or unprepared to

provide aggregated data for multifamily properties. One would think in the age of advanced computing that all utility providers would have the ability to provide all consumption data for a given property or group of addresses with anonymity. That is not the case. While some forward-thinking utilities in DC, NYC, Chicago, etc have developed systems to make this data more readily available, the majority have not. Either the utility's IT system does not allow for such data aggregation, it cites privacy concerns, or it charges large fees for the service.

In designing their Data Collection Plans, which should be more appropriately termed *Energy Data Acquisition, Monitoring and Reporting Plan*, owners will want to evaluate the most cost effective and efficient solutions for obtaining and tracking this data. There are several options depending on the building design and the region of the country. At time of design, builders can efficiently install automated whole-building energy monitoring systems. Owners may also want to sub-meter natural gas and water because sub-metered systems earn points in green building rating systems and better motivate energy-efficient occupant behavior. Furthermore, real-time energy monitoring systems can provide a valuable diagnostic tool for the Facility Management team to ensure energy-efficient building operation.

Absent these energy monitoring systems, owners can turn to securing energy consumption data directly from the utilities. There are a [few utility companies](#) that have developed processes and systems to provide whole-building energy data to property owners (primarily in regions with whole-building benchmarking ordinances). For instance, Baltimore Gas & Electric in Maryland will provide whole-building data and can import that data directly into Energy Star Portfolio Manager. The property owner will only need to secure tenant authorizations if there are five or less units.

In situations where tenant authorizations will be required, property owners would be best served to secure the authorization at time of lease signing. Utility companies typically offer release letters; however, D3G can assist with our own templates. Regardless of the approach and timing, we suggest that property owners explain this data request in the broader context of the green, energy-efficient and cost-saving features of the property to encourage tenant participation. We also suggest that you start early as this can be a time consuming process even with the HUD allowable 25% sampling rate.

Once the data has been collected, verified and entered into Energy Star Portfolio Manager, the owner can assess the building's Energy Star score. If the property's score is not equal to or greater than 75 as predicted by the SEDI, the owner and facility manager will need to conduct an energy audit to assess the performance gaps. With the benchmarking and results from the audit, the owner will be able to develop an energy efficiency plan that can be proactively shared with HUD. More active energy

management and tenant engagement programs may help the property improve enough to meet the minimum Energy Star score.

D3G has been involved in energy modeling, benchmarking and scoring of the HUD assisted housing stock for greater than 9 years. Our experience with the M2M Green Initiative, the Green Retrofit Program, SPRAC, and RAD has built a highly skilled and qualified workforce at D3G. D3G is familiar with Data Collection Plan design and can be a resource to provide the HUD required report. Please put our experience to use for the benefit of your borrowers and their tenants and let us help you meet these requirements.