Public Housing (Section 9) Utility Incentives

Possible Models for Assisted Housing

Energy Performance Contracts (EPC)

- Program began in 1987
- Approved by HUD to conduct a utility-saving retrofit using 3rd party funds
  - PHAs are *always permitted* to conduct utility-saving retrofits
  - Only eligible for EPC Incentives with approval
- Over 300 EPCs (2014)
- Leveraged over $1.1 billion (2012)

Energy Performance Contracts

- Typically, the non-HUD funds come in the form of a loan, lease, or bond. Grants may be included
  - Some form of 3rd party financing required
  - Typically - Energy Services Company (ESCo)
    - E.g. Siemens, Honeywell, etc.
  - Less often – PHAs "self develop"
    - Denver, Charleston, etc.
- PHAs use resultant utility cost savings to repay:
  - Upfront investment
  - Financing cost
  - Supplement PHA expenses
- 3 possible incentives

Energy Performance Contracts

- Frozen Rolling Base:
  - Locks in pre-retrofit utility consumption
    - Baselines are a 3 year average
      - Usually some adjusting (occupancy/capital improvements)
    - Applies it to current rate
  - Allows PHA to keep the difference between post-retrofit costs and their subsidy
    - 75% rule

Energy Performance Contracts

- Add-On Subsidy:
  - – Utility costs paid as is
  - – Provides a PHA with extra funding through a line item
  - – Covers annual debt service & project costs
    - Unless savings for the year associated with it are lower (then get the savings)
  - – Verified with M&V

Energy Performance Contracts

- Resident-Paid Utility Incentive:
  - When tenants pay their own utility bills, they receive a rent discount from the PHA (for the estimated amount).
    - PHAs request that amount (per resident) of HUD
  - PHAs reduce their utility allowances following a retrofit
    - Effectively raise the rent (in proportion to utility bill decrease)
    - Tenants total expenses (Rent+Utilities) should not change
    - PHAs continue to ask HUD for the pre-retrofit amount
  - Ensures PHAs capture higher rent payments without reduced funding from HUD

Energy Performance Contracts

- Typical Project Process:
  - Request for proposal (approved by field)
  - Conduct an Investment Grade Energy Audit (IGEA)
  - Design a package of Energy Conservation Measures (ECMs) that will **pay back in 20 years or less**
  - Submit for HUD Energy Center approval
  - Execute Financial and Energy Service Agreement (if there is an ESCo)
  - Construction
  - Assess Utility Savings through Measurement & Verification (M&V)

Rate Reduction Incentive (RRI)

- Given when PHAs make a special effort to negotiate a discount in their utility rates with their provider
  - PHAs retain 50% of the difference
    - Combined with an EPC, 100% of the difference is retained by the PHA
  - Must be requested and approved
    - By Field Office
  - Currently solar PPAs are popular and accepted applicant
  - Recent guidance around RRI and renewables

Utility Conservation Pilot (UCP)

- EPCs have proven effective at large scale projects with sophisticated PHAs
  - Less use by smaller PHAs
- The UCP made it into 2016 President's budget
  - Designed to be simpler and more accessible
  - Doesn't require 3rd party financing
  - Has a set rolling base

Utility Conservation Pilot

- At the start of the project a PHAs consumption would be set
  - Based on previous 3 years
  - Adjusted as necessary
- Then in subsequent years it would be rolled down (1% consumption decrease a year)
  - Incentive ends when rolled down consumption=actual consumption or after 20 years
- Pilot not yet passed many of finer details have not been worked out
  - Input is welcomed

Contact Information:

Christopher Golden

202-402-2413

Christopher.M.Golden@HUD.Gov

U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Public Housing Management and Occupancy Division

Program Analyst