

Battle to Weatherize

Affordable housing developers struggle for their share of stimulating weatherization cash.

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It's not too late to use stimulus dollars to make your affordable housing properties more energy efficient.

"There is still a lot of money on the table," says Todd Nedwick, an assistant director for the National Housing Trust (NHT).

The Department of Energy's (DOE) Weatherization Assistance Program is the best source of this money. But affordable housing developers may have to convince state officials to interpret federal rules so these dollars can be used on multifamily.

Barriers to weatherize

Up until now, the weatherization program has spent most of its money on

single-family homes.

"A lot of states don't use weatherization funds for multifamily rentals," says Lydia Tom, senior adviser for Enterprise Community Partners. "A lot of them aren't aware that it has ever been used for multifamily."

She hopes more states will learn to weatherize apartments as they struggle to spend the \$5 billion unleashed on the weatherization program by the American Recovery and Reinvestment Act of 2009, which must be spent by March 2012. To do that, DOE must release the funds to state officials, who then allocate the cash to "sub-grantees," which are organizations that distribute the money to individual property owners.

So far, less than half of the cash has

been spoken for.

To help convince state officials to weatherize multifamily, affordable housing advocates like Enterprise's Tom point to the example of New York, which often uses half of its typical \$60 million per year in weatherization funding on multifamily properties.

For example, one of New York's largest weatherization sub-grantees, the Community Environmental Center, will use \$9 million to weatherize all 5,881 apartments at Spring Creek Towers, the massive Brooklyn affordable housing property formerly known as Starrett City.

Colorado, Kansas, New Jersey, Ohio, Oregon, and Pennsylvania also have programs to weatherize apartments.

However, many states have created

rules and regulations that cut multifamily out of the federal program.

Florida and Maine may restrict the program to buildings under four stories because stimulus funds require contractors to pay a prevailing wage set by the Department of Labor, and the prevailing wage for buildings over five stories is a relatively high “commercial” wage.

Other states rule that weatherization funds can only be used at residential properties where the residents pay their own utility costs. That’s bad news for affordable housing properties, which don’t always submeter electricity.

As a result, only nine apartments that happen to be submetered at Park View Village in Oklahoma City can be weatherized out of about 200 units, even though all of its low-income residents would benefit from better insulation, according to Enterprise, which is an adviser to the development’s owner.

Affordable housing owners might also have trouble paying 25 percent of the cost of the weatherization, as required under the program. States like New York allow apartment owners to contribute this equity from a building’s replacement reserves, from a loan, or even as labor from the building’s maintenance staff as a form of “sweat equity.”

But the extra paperwork required to verify resident income is often the first excuse given by state officials to steer weatherization funds away from affordable projects. To be weatherized, each building on a property must show that 65 percent of the households living there qualifies as low income.

Also, affordable housing programs like Sec. 8 or public housing have income limits above the 60 percent of area median demanded by weatherization, even though residents typically earn less.

To make things a little easier, federal agencies have issued a list of subsidized

properties that are automatically eligible.

It also takes a different kind of expert to weatherize an apartment building, but few states have them.

To solve the problem, the Pennsylvania Housing Finance Agency has trained 39 experts to do energy audits on apartment buildings. As a result, the typical cost of an energy audit for a 100-unit building in Pennsylvania has dropped from \$25,000 to about \$12,000.

The stimulus gift that keeps giving

Affordable housing advocates hope that multifamily developments will win weatherization funding—and keep win-



The St. Dennis Apartments is one of many applicants competing for federal weatherization funds in Washington, D.C.

ning it even after the stimulus funding is spent.

Before the stimulus, the weatherization program had a federal budget of more than \$200 million a year. The Obama administration has requested \$220 million for fiscal 2010.

Once state officials become used to weatherizing multifamily, there’s no reason that affordable housing owners shouldn’t continue to compete for a share of the funds, experts say.

To help, housing advocates and energy experts are attempting to standardize their energy audits, to give apartments a better chance of proving how quickly energy improvements pay for themselves, as

required by the weatherization program.

“After this is done, there will be a better database,” says Bill Kelly, president of Stewards of Affordable Housing for the Future.

Weatherization to the rescue

Weatherization money might be the last chance for some developers struggling to bring projects to the closing table.

For example, at press time, NHT/Enterprise Preservation Corp. was a few hundred thousand dollars short of the \$10 million it needs to fix up the historic St. Dennis Apartments in Washington, D.C.

The cost includes a gut rehab planned to begin this summer, plus the \$3.4 million NHT spent in 2008 to buy the building from its condo-flipping former owner.

In addition to the expected low price of low-income housing tax credits—\$0.78 on the dollar—NHT also faced a shortage of funding from the local housing trust fund.

The nonprofit developer now plans to close the project’s construction financing this spring, even if it has to spend \$425,000 of its own money in a contribution to the project’s limited partnership.

“It’s not a great business model,” says Aimee McHale, assistant vice president for NHT.

She hopes that \$200,000 in weatherization funds will cut NHT’s loss roughly in half.

To win that money from state officials, the NHT must overcome its own version of the weatherization program’s income verification problem.

The St. Dennis is a vacant building with broken windows and a leaky roof and will only house low-income residents after NHT finds the funds for the rehab. NHT is now waiting for the decision of local officials.

“Weatherization is a critical component to make this project work,” says McHale. ■