

# 2009-2012 MULTIFAMILY WEATHERIZATION ASSISTANCE PROGRAM (MF WAP)

## PROGRAM GUIDELINES

New Jersey Housing and Mortgage Finance Agency

December 4, 2009

<p><b>Program Overview</b></p>	<p>The Multifamily Weatherization Assistance Program (WAP) from the New Jersey Housing and Mortgage Finance Agency (NJHMFA) provides Federal Weatherization Assistance Program funding to enable eligible multifamily property owners to improve existing NJHMFA portfolio properties. The intent of the Program is to provide assistance to existing multifamily housing developments to undertake improvements that increase properties' energy efficiency and conserve resources thereby preserving the comfort, safety and quality of housing for residents and reducing property operating expenses, specifically utility costs.</p> <p>According to the WAP Guidelines these funds should, where possible, and as required by the State Plan, be leveraged with other funding sources to cover the total cost of the improvements so that the State Grant funds for Weatherization improvements reach as broad a segment of the low-income housing market as possible, and to ensure that the benefit of Weatherization funds accrue to the low-income resident(s).</p> <p>The eligibility of applicants and properties and the ranking system were created in compliance with, and to meet the requirements of, the US Department of Energy guidance in "Title 10 CFR 440.22 Eligible dwelling units," as well as guidance from the NJ State Weatherization Assistance Program and in accordance with the American Recovery and Reinvestment Act (ARRA) funding requirements.</p> <p>Funds will be awarded via a competitive application process and selected through a cumulative ranking and scoring process. <i>Grants are subject to the availability of WAP funds.</i></p> <p><b><i>Tenants shall not be subjected to rent increases unless those increases are demonstrably related to matters other than the Weatherization work performed.</i></b></p> <p><b><i>Please Note: These guidelines are subject to change.</i></b></p>
<p><b>Eligible Applicants</b></p>	<p>Eligible applicants must meet <b>all</b> of the following:</p> <ol style="list-style-type: none"> <li>(1) Own a multifamily building (5 units or more) that has an existing primary permanent mortgage (First Mortgage) with NJHMFA</li> <li>(2) Certify that the applicant has no outstanding state or federal tax liens</li> <li>(3) Agree to extend affordability controls on any income-restricted units for an additional 15 years</li> <li>(4) The combined total of the applicant's available cash accounts, current R&amp;R schedule, and other escrows that can be used for physical improvements less payables cannot exceed the required balance per the project's most recent R&amp;R schedule.</li> </ol>
<p><b>Eligible Property</b></p>	<p>Eligible buildings must meet <b>all</b> of the following requirements:</p> <ol style="list-style-type: none"> <li>(1) Must not have received Weatherization funds since September 30, 1994.</li> <li>(2) Minimum of 66% of units must be eligible dwelling units as defined in <a href="#">10 CFR 440.22(a)</a>:             <ol style="list-style-type: none"> <li>(a) A dwelling unit shall be eligible if it is occupied by a family unit:                 <ol style="list-style-type: none"> <li>(1) Whose income is at or below 200 percent of the Federal poverty level;</li> <li>(2) Which contains a member who has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable State or local law at any time during the 12-month period preceding the determination of eligibility for weatherization assistance; or</li> <li>(3) Which is eligible for assistance under the Low-Income Home Energy Assistance Act of 1981, provided that such basis is at least 200 percent of the Federal poverty level.</li> </ol> </li> </ol> </li> <li>(3) Demonstrate a need for energy efficiency improvements involving major building systems that are projected to reduce energy consumption by a minimum of 15%.</li> <li>(4) Only projects unable to finance the entirety of the installation of significant energy improvements (i.e. refinancing) will be considered.</li> <li>(5) No greater than 30% rate of vacancy.</li> <li>(6) Up-to-date on NJHMFA project reporting requirements.</li> <li>(7) Has no Health and Safety violations documented by NJHMFA, REAC, DCA Codes &amp; Standards or the municipality, or can show a financing plan to concurrently remediate any current Health and Safety violations, as determined by NJHMFA Property Management.</li> </ol>

	<p>(8) Allocations will be reviewed to ensure that funds expended for properties whose financial security is threatened by energy costs will achieve viability and sustainability as a result of these improvements.</p> <p>(9) An EA-QUIP energy audit must show that each improvement will achieve a Savings-to-Investment Ratio (SIR)* of 1.0 or greater. The Davis-Bacon Act requires properties greater than 4 stories to pay commercial wage rates. For these properties, SIR will be calculated on the <i>residential</i> rate, but labor will be paid at <i>commercial</i> prevailing wage rates. (see <a href="#">Weatherization Notice 10-04</a>)</p> <p><i>* Savings-to-Investment Ratio (SIR) – Improvements must save the equivalent of their cost over their useful lifespan. For example, if insulation has a useful lifespan of 20 years, costs \$20,000 to install, and saves \$1000 per year in energy costs it has an SIR of 1. This ratio will be calculated in the course of an EA-QUIP energy audit.</i></p>
<p><b>Ranking System for Selection</b></p>	<p>1) Ownership of Property</p> <ul style="list-style-type: none"> <li>- Eligible property is a non-profit corporation or has a General Partner that is organized as a non-profit corporation = 1 point</li> <li>- Eligible property is a for-profit corporation and does not have a General Partner that is organized as a non-profit corporation = 0 points</li> </ul> <p>2) Percentage of units that are eligible dwelling units (per 10 CFR 440.22) – beyond minimum income eligibility</p> <ul style="list-style-type: none"> <li>- 85% or more units are income-eligible = 3 points</li> <li>- 75-84% of units are income-eligible = 2 points</li> <li>- 66-74% of units are income-eligible = 1 point</li> </ul> <p>3) Operating net income/operating loss</p> <ul style="list-style-type: none"> <li>- Eligible property has an operating loss per latest audited financial statement = 1 point</li> <li>- Eligible property has an operating profit per latest audited financial statement = 0 points</li> </ul> <p>4) Expected decrease in energy consumption; as determined by a whole-building audit. Financial plan must demonstrate that project can pay for installation of energy saving measures to achieve projected savings.</p> <ul style="list-style-type: none"> <li>- Energy savings of 50% or more = 4 points</li> <li>- Energy savings of 30-49% = 2 points</li> <li>- Energy savings of 15-29% = 1 point</li> </ul> <p>5) Comparison of applicant's total net cash (calculated as cash on hand, including any escrows or reserves available for physical repairs or improvements, savings and investments, less payables) vs. the estimated costs of energy improvements as detailed in the energy audit.</p> <ul style="list-style-type: none"> <li>- Available cash = 0-50% of the cost of improvements = 3 points</li> <li>- Available cash = 51-75% of the cost of improvements = 2 points</li> <li>- Available cash = 76% or more of the cost of improvements = 1 point</li> </ul> <p>6) Comparison of applicant's total available net cash as calculated in 3(c)(v) for physical improvements vs. required balance as set forth the project's most recent repair and replacement funding schedule (R&amp;R). The R&amp;R schedule is defined in HMFA's Management Policy and Procedure Manual (Policy No. 5010) revised as of August 2009</p> <ul style="list-style-type: none"> <li>- Available cash = 0-50% of the required R&amp;R balance = 3 points</li> <li>- Available cash = 51-75% of the required R&amp;R balance = 2 points</li> <li>- Available cash = 76-99% of the required R&amp;R balance = 1 point</li> <li>- Available cash = 100% of the required R&amp;R balance = 0 point</li> </ul> <p>Tie-breaker: Ties will be broken by projects with the most cost-effective use of funds. The tie-breaker will be after the initial review of competitive applications. Additional submittal materials for the tie-breaker will be requested as needed.</p>
<p><b>Eligible and Ineligible Uses of WAP Funds</b></p>	<p>Weatherization funds must be used to make energy conservation improvements; with a limited amount that may be used for repairs that are necessary as a part of the energy conservation improvements and to make the property healthy and safe. Measures funded solely with WAP funds must each have a Savings-to-Investment Ratio (SIR) of 1 or greater.</p> <p>In addition, insulation, air sealing and weatherstripping must be completed if an owner undertakes a heating and/or cooling system replacement. According to DOE Guidelines, measures are listed in order of cost-effectiveness, and must be addressed in that order.</p>

	<p>Needs include but are not limited to improvements to:</p> <ul style="list-style-type: none"> <li>▪ Insulation, air sealing and weather stripping</li> <li>▪ Heating system improvement/replacement</li> <li>▪ Refrigerator replacement</li> <li>▪ Lighting replacement</li> </ul> <p>For a complete list of standards download <a href="#">Appendix A</a> from the WAPTAC website (www.waptac.org).</p>
<p><b>Leveraging</b></p>	<p><b>Landlord/Owner Leveraging:</b> WAP Bulletin #305 requires Owners of multifamily rental buildings that receive assistance under WAP to contribute funds toward the cost of installing conservation measures.</p> <p>(a) Specifically, WAP Bulletin #305 requires a contribution requirement for all heating system upgrades of 50% of the total cost. On a case by case basis, applicant may request a waiver from the heating system contribution requirement if: the applicant received one point in each of the ranking items 1) and 3) and at least three points in each of the ranking items 5) and 6);</p> <p>(b) WAP Bulletin #305 requires a minimum of 25% landlord contribution for shell weatherization in a rental property. On a case by case basis, applicants may request a waiver from the shell weatherization contribution requirement if shell weatherization consists solely of air-sealing and insulation, which is the most common and cost-effective energy efficiency improvement and the multifamily rental building is eligible for a waiver from the heating system contribution requirement.</p> <p>(c) If owner requests a waiver of the contribution requirements for heating systems or shell weatherization, then NJHMFA will review the net cash available to the project for physical improvements or repairs. NJHMFA will take into account the reduced operating costs that can be expected from providing WAP assistance to recommend the maximum contribution the owner can afford.</p> <p>Taking HMFA’s recommendation into consideration, DCA shall waive up to 100% of the owner contribution requirement(s) upon a determination that a financial hardship would result and that such waiver would be in the public interest. A financial hardship exists when:</p> <ol style="list-style-type: none"> <li>(1) the owner documents that the project has a negative cash flow for the most recently completed annual operating budget period;</li> <li>(2) it is unlikely that the project would qualify for financing or a loan to provide the owner match; or</li> <li>(3) the owner documents insufficient cash reserves.</li> </ol> <p>The request for a waiver will be submitted to NJDCA by NJHMFA, accompanied by the supporting documentation as described above.</p>
<p><b>Maintenance Staff &amp; Tenant Training</b></p>	<p>Operations &amp; Maintenance staff and Managing agency must be provided with a training manual that promotes efficient use of energy. Manual should include operating instructions for any new equipment or appliances.</p> <p>A public meeting must be held in each building to introduce and educate tenants on the weatherization work to be performed, and the importance of energy efficiency. The NJ Green Homes Office will work with the on-site Property Manager to disseminate information about the program, the scope of work, the impact of weatherization and what to expect in general from the improvement process.</p>
<p><b>Program Funding, Monitoring and Reporting Requirements</b></p>	<p>The NJ Green Homes Office at NJHMFA will monitor funds received and expended for the Program. NJHMFA, the applicant and their contractor shall comply with all State and Federal reporting and funding requirements. Compliance includes but is not limited to payroll certification for all contractors subject to the Davis-Bacon Act, collection of demographic data of residents and income data of residents.</p> <p>All applicants must participate in the NJ Green Homes Office’s Energy Benchmarking project. This shall include (1) signing data release forms for all meters, utilities, and sub-utilities; (2) assisting in the gathering of utility release forms from tenants; and (3) providing building data as needed.</p> <p>Projects also agree to reporting/monitoring as stipulated in the New Jersey State Plan and/or the Federal WAP reporting requirements.</p>
<p><b>Carbon Emission Reductions</b></p>	<p>The project owner will assign to NJHMFA all rights and interests the owner has in all greenhouse gas emission reductions resulting from the improvements in consideration of the grant of WAP funds.</p>