Introductions

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Minnesota Housing

Housing is the foundation for success, so we collaborate with individuals, communities and partners to create, preserve and finance affordable housing.
Minnesota Housing Statewide Investments

• Minnesota Housing: We work to provide access to safe, decent and affordable housing and to build stronger communities across the state.
  
  • Other financial partners include: Family Housing Fund, Greater Minnesota Housing Fund, and others

• In 2018, we invested $1.26 billion and assisted more than 66,000 households.
Funding Mechanisms

Super RFP/ Multifamily Common Application

- Low Income Housing Tax Credit and various loans
- 2020 application due in June and awards announced in October.

Rental Rehabilitation Deferred Loan

- Application due Nov 20, 2019
- Apply through the local area administrators

Publicly Owned Housing Program

- RFP usually open every two years
“Green” Requirements

2015 Green Communities Criteria with Minnesota Overlay

• Benefits include: lower operations costs, less waste generated, and use of fewer toxic materials.

Energy Rebate Analysis

• Developers must find energy rebates where possible

• Leverage utility funds to increase energy efficiency
Mission: To shape and drive realistic, visionary energy policies that benefit all.

Vision: An economy we thrive in and energy that ensures our well-being.
Program Areas

• Renewable Electricity
• Global Warming Solutions
• Energy Access and Equity
• Better Buildings
• Beneficial Electrification
• Electric Cars and Buses
• Center for Pollinators in Energy
• Energy News Network
Purpose: To increase energy efficiency and conservation in multifamily buildings in Minnesota by improving and expanding the use and equitable access of available resources.
MMAHEN Background

- Started in July 2014
- Part of the national EEFA project
- 69 members from 41 organizations
- Working on issues related to:
  - City Specific Opportunities
  - Renters Issues
  - Existing Gaps in Utility Programs
  - Long-Term Planning for the Next Generation of Programs
- [http://fresh-energy.org/multifamily](http://fresh-energy.org/multifamily)
Primer on Multifamily Housing
What is an affordable multifamily building?

What is a multifamily building?
- 2-5 units or more
- Townhomes or Apartments

What are the different types of affordable housing?
- Public Housing (HUD)
- Subsidized Affordable
  - In return for receiving financing, they are required to maintain affordability. Affordability requirements vary.
  - Federal: HUD, USDA
  - State: Minnesota Housing
  - Local: CDFIs, Specific city or county programs
- Unsubsidized Affordable
  - Naturally Occurring Affordable Housing (NOAH)
How many multifamily units are there?

- Minnesota has over 353,000 multifamily units (in buildings of 5 units or more).

- 176,000 of all rental units were built before 1960.

- 30% of multifamily units are in Greater Minnesota (outside the 7 county metro).
What does a multifamily building look like?

- Buildings vary greatly across the state

- A typical multifamily building:
  - Whole Building:
    - Heated with a natural gas boiler system
    - Common area lighting that operates continuously
    - Has a common area laundry facility
  - Individual Units:
    - Refrigeration is the single biggest in unit electrical use.
      - 25% of refrigerators are older than 1999.
    - Cooled through individual wall/window AC units.
    - In-unit lighting is used for roughly 3 hours per day.
What is the energy savings potential?

• Smaller properties (<20 units) appear to have more energy savings potential

• Measures with widespread multifamily applicability:
  • Replacing incandescent light bulbs
  • Replacing showerheads
  • Installing high-efficient clothes washers – longer payback
Who lives in multifamily buildings?

• 29% of Minnesota households are renters.
  • 16% of MN households live in multifamily rental housing
  • Multifamily renters tend to be less affluent and more mobile

• 44% of ALL renters are cost burdened
  • 63% of low-income renters are cost burdened.
    • Cost burden = paying more than 30% of income on rent and utilities combined.
    • Low Income = Households with an income of less than $50,000 (60%-100% AMI)

• Median Rent has risen 9% since 2000
  • Median renter income has fallen 11%
Who is responsible for utility costs?

• For a typical multifamily building
  • Property owner/manager is responsible for:
    • Natural Gas bill: includes heat and domestic hot water
    • Electric bills for common areas
    • Water bill for the whole building
    • These costs average about $745 annually per apartment unit
  • Tenants are responsible for:
    • Electric bill for in-unit lights and appliances
    • The costs average about $360 per year per apartment unit
Split Incentive

• Split Incentive Issue
  
  • When owners pay for the utilities, renters have less incentive to conserve energy
  
  • When renters pay for the utilities, the owners have less incentive to invest in energy efficient technologies
Who would see the benefits?

- Energy efficiency has the potential to lower utility bills by an average of $100 to $200 per unit.

- For buildings with owner paid gas heat, 70% of the benefit would accrue to building owners and 30% of the benefit would accrue to tenants.
  - Dependent on a lot of variables: meter configuration, type and age of building, fuel type, type of efficiency installation, etc.
How are renovations to multifamily buildings funded?

• Owners with rent restrictions can’t raise rents in order to pay for improvements.
  • Low rents mean that there isn’t much left over to pay for projects.

• Financing is VERY competitive.
  • Allocations are dependent on state and federal budgets.
  • Not everyone gets financing.
  • Owners must bring outside leverage to the table.

• “Gaps” are often present and key energy efficiency components are sometimes value engineered out of the project.
  • Emergency projects (life safety, structural, take priority)
  • Energy efficiency is sometimes considered a “luxury”
What do owners and renters need?

• Even the best multifamily building owners have trouble accessing financing and investing in energy efficiency
  • Staff capacity is limited
  • Some buildings take priority before others
  • Some repairs take priority over others
  • Help making investments in energy efficiency would allow owners to **reinvest the savings** from energy efficiency into other much needed repairs to the building. This will benefit tenants in the long term.

• Renters in multifamily buildings need help too
  • Multifamily renters are seeing increasing rents and a higher energy burden along with lower incomes.
  • Investment in multifamily buildings will also benefit tenants indirectly through improvements to health and comfort.
More on “energy burden”

<table>
<thead>
<tr>
<th>Household type</th>
<th>Median annual income</th>
<th>Median size of unit (square feet)</th>
<th>Median annual utility spending</th>
<th>Median annual utility costs per square foot</th>
<th>Median energy burden¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income (≤80% AMI)</td>
<td>$24,996</td>
<td>1,200</td>
<td>$1,692</td>
<td>$1.41</td>
<td>7.2%</td>
</tr>
<tr>
<td>Non-low-income</td>
<td>$90,000</td>
<td>1,800</td>
<td>$2,112</td>
<td>$1.17</td>
<td>2.3%</td>
</tr>
<tr>
<td>Low-income multifamily (≤80% AMI)</td>
<td>$21,996</td>
<td>800</td>
<td>$1,032</td>
<td>$1.29</td>
<td>5.0%</td>
</tr>
<tr>
<td>Non-low-income multifamily</td>
<td>$71,982</td>
<td>950</td>
<td>$1,104</td>
<td>$1.16</td>
<td>1.5%</td>
</tr>
<tr>
<td>Renters</td>
<td>$34,972</td>
<td>1,000</td>
<td>$1,404</td>
<td>$1.40</td>
<td>4.0%</td>
</tr>
<tr>
<td>Owners</td>
<td>$68,000</td>
<td>1,850</td>
<td>$2,172</td>
<td>$1.17</td>
<td>3.3%</td>
</tr>
<tr>
<td>White</td>
<td>$58,000</td>
<td>1,600</td>
<td>$1,956</td>
<td>$1.22</td>
<td>3.3%</td>
</tr>
<tr>
<td>African-American</td>
<td>$34,494</td>
<td>1,290</td>
<td>$1,920</td>
<td>$1.49</td>
<td>5.4%</td>
</tr>
<tr>
<td>Latino</td>
<td>$39,994</td>
<td>1,200</td>
<td>$1,704</td>
<td>$1.42</td>
<td>4.1%</td>
</tr>
<tr>
<td>All households</td>
<td>N/A</td>
<td>1,573</td>
<td>$1,932</td>
<td>$1.23</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

¹ Energy burden is the percentage of household income that is spent on energy bills. To calculate median energy burden, we calculated energy burden for all households and then took the median. This value differs from the median energy burden that is calculated using median annual utility spending and income.

² Low-income includes both single- and multifamily households. ³ Area median income (AMI) is the median dollar amount that divides the population into two equal parts.

Source: American Housing Survey (Census Bureau 2011 and 2013a).
Common Barriers associated with Multifamily
Finding buildings and working with owners

- Difficulty finding buildings
  - Housing Link Streams: [https://housinglink.org/Streams/](https://housinglink.org/Streams/)
  - Minnesota Housing staff

- Difficulty finding and working with the decision maker
  - Many buildings are listed with an LLC/LP as an owner or property manager
  - Who is the decision maker? Property manager versus owner
• Difficulty working with owners
  • When possible, work with buildings where owners are already planning to do other types of projects
    • Easier to add additional projects than start from scratch in a second building.
  • Work with owners to plan projects for future years
    • Capital Improvement Plans list out expected projects for the lifetime of the building.
    • Owners are always planning 2-5 years in advance.
  • Help them interpret the technical language
    • Owners/Managers have varying levels of energy knowledge
      • Most property managers are hired to interface with the residents.
    • Energy efficiency (and working with utilities) is sometimes out of their comfort zone
Qualifying low-income eligibility

• Subsidized low-income buildings should already have a rent and income declarations and use restriction documents.
  • Most multifamily owners will know the incomes of their residents.
  • Even if you have to individually certify tenants, they should still have a good idea of who will qualify.

• Buildings with a use restriction will usually already have a restriction that prevents future rent increases.
• American Community Survey, US Census Data, 2017 estimates

• EnergyScoreCards Minnesota, Minnesota Department of Commerce, Division of Energy Resources, 2015

• Key Trends for Affordable Housing, Minnesota Housing, 2017

• Minnesota Multifamily Rental Characterization Study, Energy Center of Wisconsin and Franklin Energy, 2013


• State of the State’s Housing, Minnesota Housing Partnership, 2017
Questions?
Thank you!

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