Non-Conventional Financing for Multifamily Affordable Housing

Ravi Malhotra

President and Founder

303-462-4100 ext. 316

Ravim@icastusa.org

International Center for Appropriate & Sustainable Technology

Green Financing Options

EQUITY
LIHTC
GRANTS AND
INCENTIVES

Bridging the Gap in Financing

DEBT
BONDS
SOFT LOANS

Energy Financing

- EPC / PPA
- PACE
- EaaS

Green Lending Incentives

- FHA – MIP Reduction
- Fannie – MF Green Financing
- Freddie – MF Green Advantage

Gap Financing Solutions

1) **Green Lending Incentives**
   - ✓ Up to 40 basis points off your mortgage
   - ✓ LTV increases from 80% to 85%

2) **Energy Financing**
   - ✓ Captures value of efficient operations
   - ✓ Typically off-balance sheet
   - ✓ Typically up to 10% of project value

3) **Green Incentives**
   - ✓ Utility rebates
   - ✓ Clean Energy Tax Credits and Deductions

FHA - MIP Reduction

1. Higher LTV and Lower MIP
2. Cannot ‘double dip’ with Affordable pricing
3. For Less than 90% Affordable

	Upfront MIP in Basis Points			Annual MIP in Basis Points		
	Before		After	Before		After
Green Certification	45-95	→	25	45-95	→	25

Freddie Mac - MF Green Advantage

1. **Double Dipping Allowed**
2. **Better Pricing by as much as 40 bsp**
3. **Green Up Program**
   - ✓ >15% Energy or Water savings
   - ✓ Underwrites 50% of projected savings for higher LTV
4. **Green Up Plus Program**
   - ✓ >20% Energy or Water savings
   - ✓ Underwrites 75% of projected savings for higher LTV
5. **Underwrites cost of green consulting**

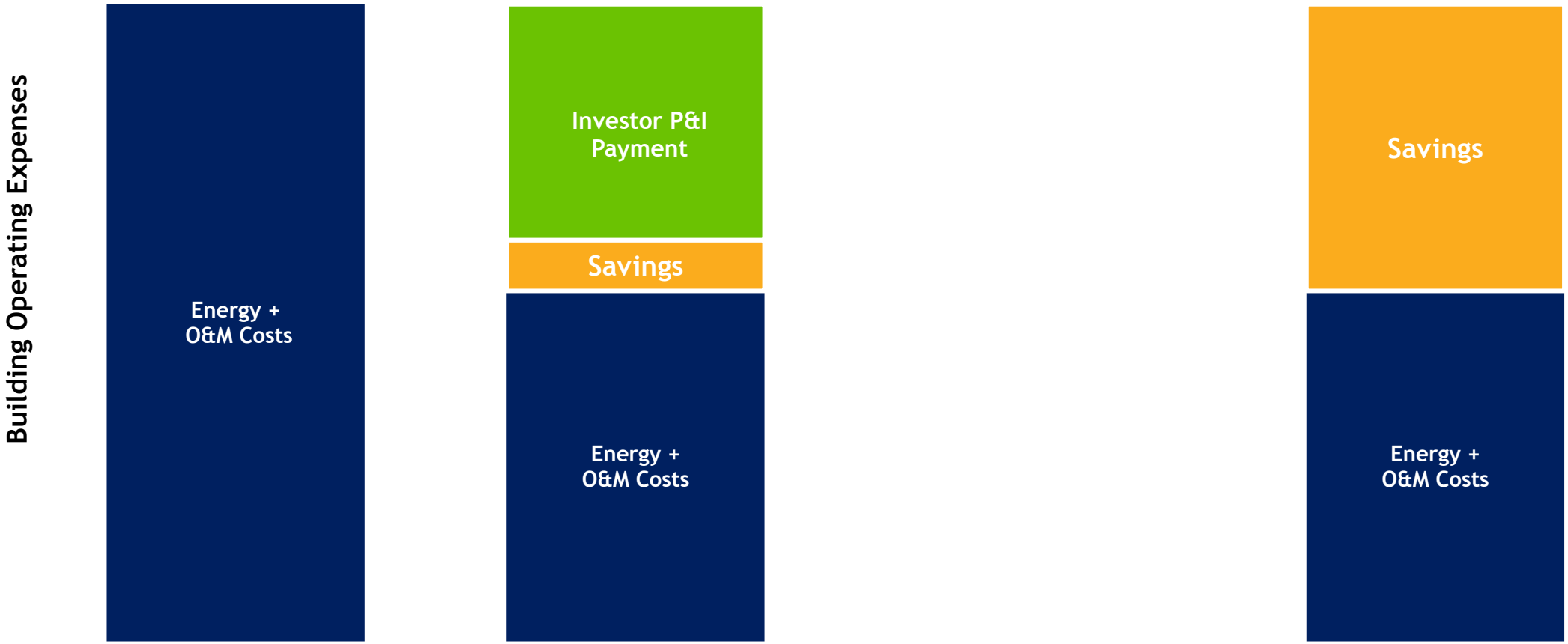
Fannie Mae - Green Financing

1. **Green Rewards**
   - ✓ Min. 20% reduction in energy OR water use
   - ✓ Underwrite 75% of projected energy savings
   - ✓ Underwrite 25% of tenant's projected cost savings
   - ✓ Up to 5% additional loan proceeds

2. **Green Preservation Plus**
   - ✓ Up to 85% LTV
   - ✓ 1.15 DSC

Fannie Mae

Energy Financing



PACE Financing

Property Assessed Clean Energy

- ✓ Voluntary Assessment on Property
- ✓ All MF, in eligible counties
- ✓ Both New Construction and Rehab
- ✓ Typically funds 10% of project
- ✓ Typical 20 year term
- ✓ Fixed 6% interest
- ✓ Approval of 1st lien holder

EPC / PPA

Energy Performance Contract (EPC)

- ✓ Monetize Energy Savings w/ Guarantee
- ✓ For PHA and Market Rate / PFS?

Power Purchase Agreement (PPA)

- ✓ Monetize Energy Prod. w/ Guarantee
- ✓ Typically for solar PV

Typically 15 year+ term

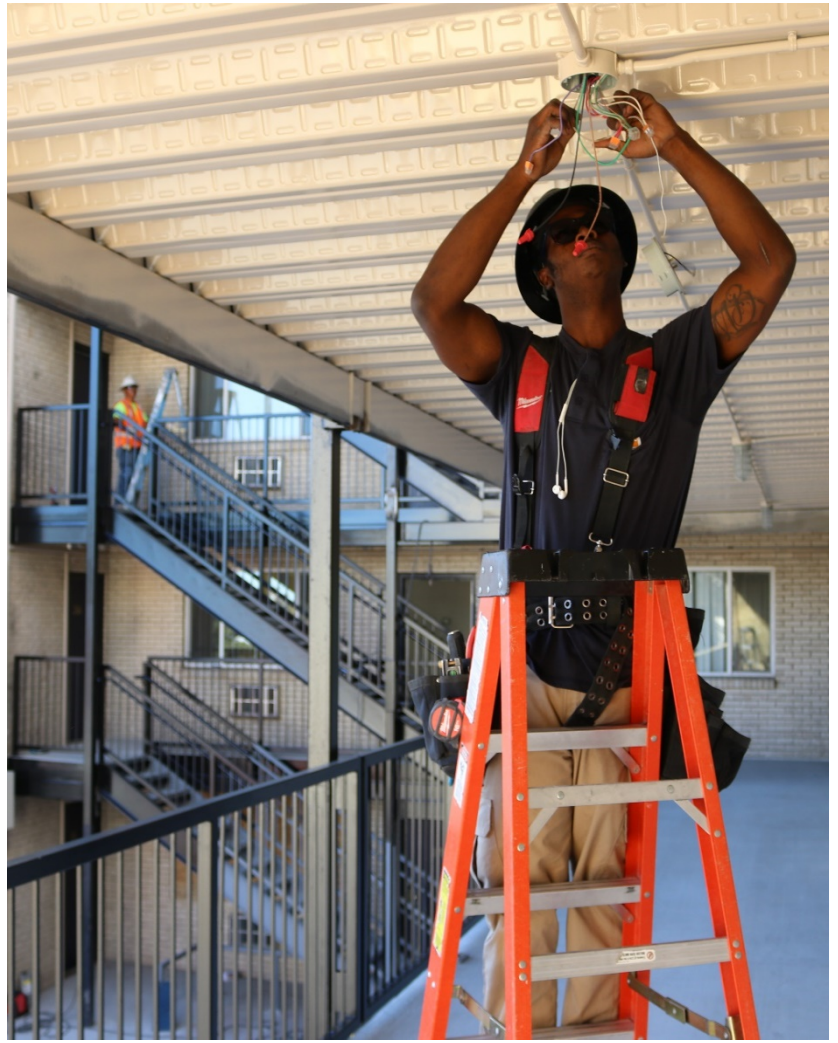
Can be Bond Financed incl. Tax Exempt

Typically for Rehab projects

EaaS

Energy as a Service (EaaS)

- ✓ 3rd party investment into Energy Systems within a MF property
  - ➢ DHW, Lighting, HVAC…
- ✓ For all types of MF properties
- ✓ Typically 15 year+ term
- ✓ Typically for New Construction



RAD Green Incentive

Capture 75% of UA savings for tenant and transfer it as Rent Increase

➔ Increased Ability to Borrow

Utility Incentives

Utility Rebate Programs

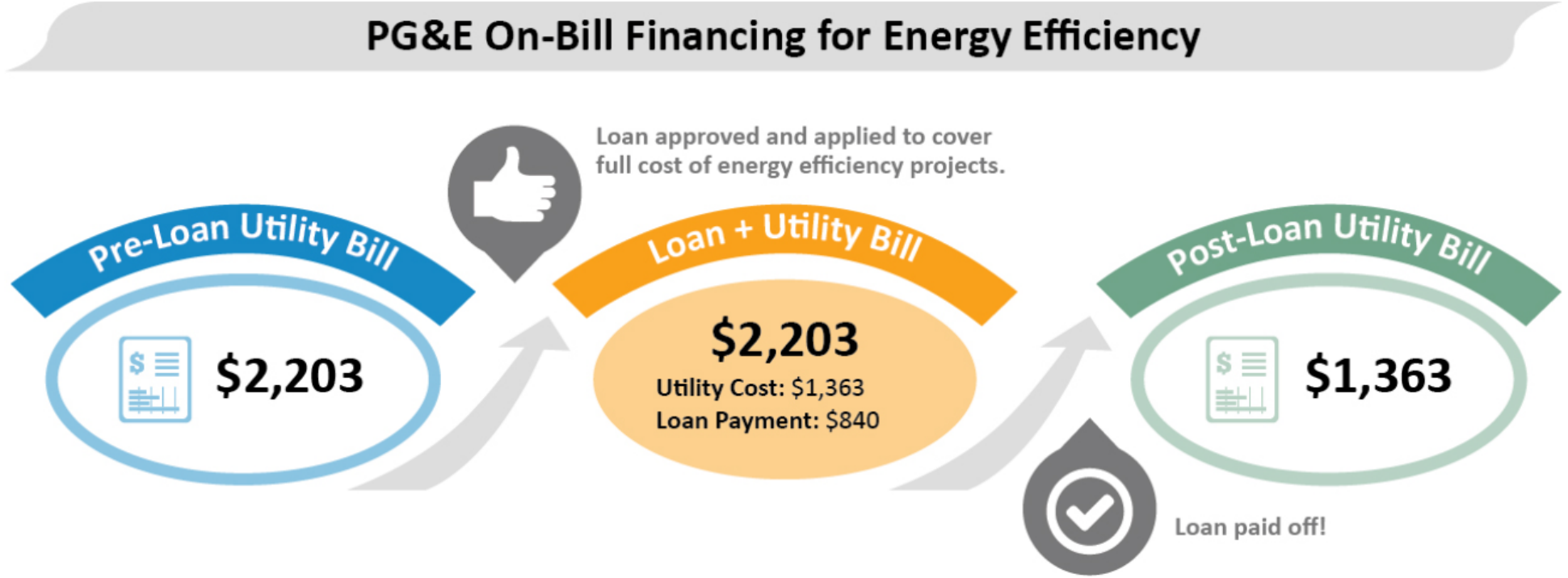
1. New Construction and Rehab
2. NC - Discount energy upgrades over code
3. Prescriptive versus Custom

Utilities On-Bill Financing Programs

1. Finance Energy Upgrades
2. Low interest loans
3. Loans repaid through utility on-bill charge
4. Not compatible with other utility incentive programs

California On-Bill Financing

- Loans up to $2 Million for MFAH
- Cannot ‘double dip’ with rebates
- 0% Interest
- Up to 10 year repayment.



ICAST

1. **Nonprofit spin-off from Engr School at CU-B**
2. **16+ years of practical experience**
   - ✓ Utility Rebate programs for MF
   - ✓ In 2018: ~ 5,000 MF units retrofitted
   - ✓ In-house CDFI - Niche in energy financing
   - ✓ Certified TA Provider to HUD, USDA, Enterprise, & others.
3. **Pay-for-Success approach**
4. **One-Stop-Shop for customer convenience**

One STOP Shop
Portfolio Analysis and Audits
Provide full portfolio analysis, individual property audits that meet ASHRAE, HUD and USDA standards and Energy modeling projections.
Green Consulting Services
Provide help acquiring green certifications (Energy Star, ect.) and any green financing incentives including MIP reduction and Fannie/Freddie Green Loans.
General Contracting
Utilize full design build services, Act directly as general contractor or procure general contractor and act as an owners rep.
Innovative Financing
Access energy financing such as energy Performance Contracts, Property Assessed Clean Energy, and Power Purchase Agreements as well as debt and other innovative solutions.
Utility Programs
Manage Demand Side Management Programs, Demand Response Programs and Distributed Energy Resources for Utility Companies multifamily customers.

Sample Projects

1. MIP NC – Brewery South Apts, San Antonio, TX
2. Fannie Green Loan Refi for Existing – Avion at Vine, Salt Lake City, UT
3. RAD – Maricopa County HA, Phoenix, AZ
4. PACE – La Reunion, Austin, TX
5. EPC – Santa Fe County HA, NM
6. PPA – TCHA, TorC, NM
7. NZE – Beacon Communities, Troy, NY

Questions?
Thank you!

Ravi Malhotra
President
Ravim@icastusa.org
303-462-4100 ext. 301
www.icastusa.org