



Department of Energy
Washington, DC 20585

WEATHERIZATION PROGRAM NOTICE 16-5
EFFECTIVE DATE: May 5, 2016

SUBJECT: MULTIFAMILY WEATHERIZATION

PURPOSE: To provide Grantees with consolidated guidance on previously issued Weatherization Program Notices (WPNs) on weatherizing multifamily buildings in the Weatherization Assistance Program (WAP). This supersedes WPN 10-7 and WPN 11-9.

SCOPE: The provisions of this guidance apply to Grantees applying for financial assistance under the Department of Energy (DOE) WAP.

LEGAL AUTHORITY: Title IV, Energy Conservation and Production Act, as amended, authorizes the Department of Energy to administer the Weatherization Assistance Program. (42 U.S.C. § 6861, *et. seq.*) All grant awards made under this program shall comply with applicable law and regulations including the WAP regulations contained in 10 CFR 440.

BACKGROUND: In recent years DOE has issued several WPNs about topics related to multifamily weatherization. DOE recognizes that this can become confusing when Grantees try to weatherize multifamily buildings. As a result, this notice was designed to put all relevant multifamily topics into a single program notice. Since many of these subjects reference or impact each other in one form or another, a single source will help eliminate confusion at all levels of the Program while ensuring that consistent guidance is available to Grantees and Subgrantees weatherizing multifamily buildings.

GUIDANCE: This guidance covers the following:

- Prioritizing Weatherization Work Based on Housing Type
- Multifamily Building Eligibility
- Average Cost Per Unit in Multifamily Dwellings
- Property Listings for Use in the Weatherization Assistance Program
- Documentation Requirements
 - Building Owner Permission
 - Income Eligibility
 - Demographics
 - Accrual of Benefits
 - Audit Runs
 - Leverage/Buy-Down Agreements

Please note, guidance specific to Weatherization of Rental Units is addressed in a separate guidance (WPN 16-6) as this is applicable in both single-family and multifamily dwellings.

PRIORITIZING WEATHERIZATION WORK BASED ON HOUSING TYPE

The specific purpose and scope of WAP is clearly outlined in 10 CFR 440.1:

This part implements a weatherization assistance program to increase the energy efficiency of dwellings owned or occupied by low-income persons...especially low-income persons who are particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high energy burden.

In order to meet the purpose of WAP, Grantees should ensure weatherization services are being provided to low-income persons that live in *all* types of housing (i.e. single-family, manufactured housing units, and multifamily buildings).

Multifamily buildings, including rental housing, offer opportunities for energy efficiency upgrades that are a cost effective approach to lowering operating expenses, maintaining affordability, and creating healthier, more comfortable living environments for low-income families.

Grantees and Subgrantees are reminded that weatherization is designed to take place with a whole *building as a system* approach (10 CFR 440.22(b)). A single unit within a multi-unit building is not categorically excluded, but due to the rare instances when this is allowable, requires DOE Project Officer (PO) prior approval.

MULTIFAMILY BUILDING ELIGIBILITY

References to the specific eligibility of multifamily buildings is addressed in the regulations, 10 CFR 440.22(b)(2).

Not less than 66 percent (50 percent for duplexes and four unit buildings, and certain eligible types of large multifamily buildings) of the dwelling units in the building:

- i) Are eligible dwelling units, or
- ii) Will become eligible dwelling units within 180 days under a Federal, State, or local government program for rehabilitating the building or making similar improvements to the building; ...

DOE's initial expectation is Grantees will target buildings with 5 or more units wherein 66 – 100 percent of the occupants meet the income eligibility requirements. However, DOE acknowledges in the regulations, there are certain buildings where 50 percent eligibility is a more appropriate threshold. DOE is explicit in establishing that this lower threshold is appropriate in duplex and four-unit buildings. In addition, in the Interim Final Rule to update 10 CFR 440 DOE provided guidance on what types of large multifamily buildings may be subject to the 50 percent threshold. (65 FR 77210, Dec. 8, 2000)

DOE indicated that “certain eligible types of large multifamily buildings” are those buildings for which an investment of DOE funds would result in a significant energy-efficiency improvement because of the upgrades to equipment, energy systems, common space, or the building shell. (*Id.* at 77215) Grantees should exercise caution when using flexibility in this area. DOE's key interest is seeing the investment of DOE funds coupled with leveraged resources which results in significant energy savings. Grantees should determine the definition of “significant energy savings” (definition should be included in annual State Plan) for their building stock and be able to articulate how “certain large multifamily” are designated. Grantees should consult with their DOE Project Officer if more information is necessary to adequately define when this flexibility should be used.

AVERAGE COST PER UNIT IN MULTIFAMILY DWELLINGS

As expressed above, duplexes, three and four-unit buildings, and buildings with more than 5 units are all considered multifamily buildings for the purposes of eligibility (and subsequently, in the reporting of units). The WAP statutory authority and regulations require that on average the cost per dwelling unit for *all* eligible dwelling units within the State during a program year does not exceed \$6,500 (adjusted annually). This allows for a Grantee to sometimes spend less than and sometimes spend more than \$6,500 (adjusted annually) on an eligible dwelling unit.

The weatherization work can result in improvements to *all* units in the building, even those that are not income-eligible but qualify for the program because the building qualifies (at least 50% or 66% of the building is income eligible, depending on the

building). In the reporting, all units should be reported to DOE in the respective multifamily category.

PROPERTY LISTINGS FOR USE IN THE WEATHERIZATION ASSISTANCE PROGRAM

In the Final Rule to update 10 CFR 440, January 25, 2010, DOE implemented a new rule for its WAP. Under the new rule, if a public housing, assisted multifamily or a Low Income Housing Tax Credit (LIHTC) building is identified by the US Department of Housing and Urban Development (HUD) or US Department of Agriculture (USDA) and included on a list published by DOE, that building meets certain income eligibility and may meet other WAP requirements without the need for further evaluation or verification. (75 FR 3847, Jan. 25, 2010) Information on documentation required is further discussed in the following section.

There are two fundamental elements that Grantees should keep in mind:

1. The rule expressly indicates that income qualified public housing, assisted housing, LIHTC and USDA subsidized properties *may* be eligible recipients of WAP funds. The rule does not, however, *require* Grantees or local WAP service providers to set aside WAP funds for these properties. The Grantee and/or the local service provider retain the authority to set priorities for the use of WAP funds in their service areas.
2. A public housing, assisted housing, LIHTC and USDA subsidized building that does not appear on the list using HUD or USDA records may still qualify for the WAP. The WAP Subgrantee that implements the Program can determine income eligibility based on information supplied by property owners and the tenants.

Grantees are encouraged to periodically check the posting of identified buildings. HUD and USDA continue to identify additional eligible properties that meet the income eligibility criteria under WAP. As those lists become available, DOE posts on the DOE/EERE website at: <http://energy.gov/eere/wipo/articles/hud-multifamily-property-listings-eligible-weatherization-assistance>.

DOCUMENTATION REQUIREMENTS

The following table is an “at-a-glance” to clearly convey the documentation required by DOE whether selecting buildings that appear on a HUD/USDA list or a building that is not on the list(s).

Table 1
DOCUMENTATION REQUIREMENTS

Documentation Required	If on HUD or USDA List	If NOT on HUD or USDA List
Building Owner Permission	Yes	Yes
Income Eligibility Documentation	No ¹	Yes
Demographics of Residents	Yes	Yes
Accrual of Benefits to Tenants ²	Yes, if applicable	Yes, if applicable
Audit Runs	Yes	Yes
Leverage/Buy-Down Agreements	Yes, if applicable	Yes, if applicable

Building Owner Permission

As required in 10.CFR 440.22 (b)(1), the Subgrantee is required to obtain the written permission of the owner of the building or his agent.

Income Eligibility

Except when using the HUD/USDA lists, as referenced above, the Grantee/Subgrantee must collect income information on a unit-by-unit basis to ensure at least 66% (or 50% for duplexes and four-unit buildings and “certain eligible types of large multifamily” category) of the occupants in a five or more unit building are eligible for service. (Eligibility documentation and requirements are set forth by the Grantee in the State Plan application.)

Demographics

¹ Agency documents from the HUD or USDA lists (see tab at the bottom of associated spreadsheet at <http://energy.gov/eere/wipo/articles/hud-multifamily-property-listings-eligible-weatherization-assistance>.) was used and the eligibility threshold of the list (e.g, 66% or 100%).

² If tenants are not billed directly for energy costs, WAP provider documents how benefits accrue to residents.

As required by 42 USC 6861(b) and 10 CFR 440.1 Grantees must have procedures in place to ensure that priority is given to identify and provide weatherization assistance to: elderly persons, persons with disabilities, families with children, high residential energy users, and households with high energy burden. Likewise, Grantees must ensure that the Subgrantees obtain, verify, and maintain, as required, the proper documentation on demographics for the properties to be weatherized.

Even when selecting projects from the HUD/USDA lists, Grantees and Subgrantees must request the building owner provide information on the collected demographics. Grantees and Subgrantees are not required to collect any additional information beyond the demographics required for reporting purposes to the Grantee or DOE. Before collecting or requiring additional information to be collected, Grantees and Subgrantees should seriously consider the value and necessity of such information against the potential administrative burden.

When a building is on one of the HUD/USDA posted lists, the Subgrantee must state in the project file which list the building is on and the eligible percentage (66% or 100%) of units corresponding to that list. Generally, resident demographics must be reported on a unit-by-unit basis. However, for those buildings on the HUD/USDA lists, rent rolls or other such building owner records provided on an entire building or project basis are sufficient documentation to meet this requirement. Subgrantees are urged to initiate a landlord/tenant agreement to capture elements required by the regulations (e.g., benefits accrue to the tenants, tenants are not subjected to rent increases due to property improvements provided by WAP, what occurs if tenants are evicted or the building sold before a specific period of time has passed). This agreement should correspond to the type of subsidy the building receives. See WPN 16-6 Weatherization of Rental Units FAQs for more information on landlord/tenant agreements.

Accrual of Benefits

References to the accrual of benefits is addressed in the regulations, 10 CFR 440.22(b)(3) which states that:

The Grantee has established procedures for dwellings which consist of a rental unit or rental units to ensure that:

- i) The benefits of weatherization assistance in connection with such rental units, including units where tenants pay for their energy through their rent, will accrue primarily to the low-income tenants residing in such units;

With any rental property (multifamily or not) in which the tenants do not directly pay for their own utilities, the Grantee (or Subgrantee administering the program) must demonstrate the benefits of the weatherization work accrue primarily to the low-income tenants (10 CFR 440.22(b)(3)(i)). This guidance primarily addresses how Grantees can ensure that the benefits of weatherizing such a building will accrue primarily to the low-income tenants of that property.

DOE is not promulgating prescriptive guidance, but wants to provide examples to Grantees of how to address the accrual of benefits. DOE encourages Grantees to establish procedures that will ensure that all owners of multi-unit buildings submit sufficient detail and explanation to allow a determination that accrual of benefit requirements in 10 CFR 440.22 have been met. The accrual of benefits requirement may be met by demonstrating that the benefits of the weatherization accrued primarily to the tenant. Benefits, include, but are not limited to lower energy bills, establishment of a shared savings program, or additional investment in the property. Some benefits do not accrue to tenants if they do not pay individual utility bills. The following table is an “at-a-glance” to convey which potential tenant benefits are valid for different utility payment arrangements

Table 2
ACCRUAL OF BENEFITS

Potential Benefit	Tenant Pays Utilities	Utilities Included in Rent
Lower energy bills when seasonal temperatures are consistent with historic temperatures	Yes	No
"Lower than expected" energy bills in the event of hotter/colder weather than in previous years	Yes	No
Longer term preservation of the property as affordable housing	Yes	Yes
Continuation of protection against rent increases beyond that required under the WAP regulations (10 CFR 440.22(b)(3)(ii))	Yes	Yes
Investment of the energy savings in facilities or services that offer measurable direct benefits to tenants	Maybe – requires description	Yes
Investment of the energy savings from the weatherization work in specific health and safety improvements with measurable benefits to tenants	Maybe – requires description	Yes
Additional improvements, not related to weatherization, to heat and hot water distribution, and ventilation, to improve the comfort of residents	Yes	Yes
Establishment of a shared savings program	Maybe – requires description	Yes

Generic assertions such as “tenant services will be improved” or “weatherization will improve health and safety” are not sufficient to demonstrate that the accrual of benefits requirement is met.

Any request for weatherization of eligible multi-unit buildings needs to demonstrate in sufficient detail to the Grantee/Subgrantee that the benefits of weatherization work accrue primarily to the low-income tenants.

Audit Runs

The WAP file for each building should contain at least the following information from the energy audit:

- The recommended statement of work including the savings-to-investment ratios (SIRs) of each measure and the total project SIR.
 - If any measures were bought down or otherwise leveraged the documentation must show the pre-leveraged SIRs of each individual measure and the pre-leveraged project SIR.
 - Documentation must include the other sources that funded each bought-down measure.
- Either a printed file showing all of the building audit inputs and outputs or the immediately accessible electronic file that shows all the audit inputs and outputs.
- Final installed costs of each measure and the total project cost. If the project went through the bidding process then all bid prices – winning and losing bids – must be in the file.
- All specifications defining each measure.

Leverage/Buy-Down Agreements

For the past two decades, DOE has strongly encouraged Grantees (or Subgrantees administering the Program) to be innovative in attracting other resources into the WAP. The ultimate goal of the initiative is to increase the number of low-income households that can be served and/or permit additional cost-effective measures to be installed in each dwelling unit.

Many WAP Programs use a combination of ***federal funds*** (e.g., WAP funds, Low-Income Home Energy Assistance Program (LIHEAP) funds, and Community Development Block Grant Program (CDBG)) and ***non-federal funds*** (e.g., utility investments from systems benefit charges or efficiency programs, state funds from special set-asides, other rehabilitation funds, private funds from landlord contributions or foundations, and other private sources) to accomplish the scope of work on a building.

Regardless of the funding source, only measures on a list of measures with a cumulative SIR of 1 or greater may be paid for in any portion with WAP funds. This is explained more fully below.

In addition, landlords may contribute to the weatherization of their buildings. There are two mechanisms for landlord contributions: participation agreements that address broad Grantee requirements and specific measure buy-downs. Grantees may establish and require participation agreements. They may allow buy-downs. Funding sources other than landlord contributions may also be used for buy-downs.

Landlord Participation Agreements

Where these landlord participation agreements exist, the Grantee policy generally requires that the building owner provide financial assistance to complete the Weatherization activities on their properties. Grantees often require a landlord investment for a property to even be considered for WAP services. The landlord contribution may be calculated as a percentage of the overall investment, percentage of WAP investment, or by some other formula.

Owner contributions that may be required by Grantees, such as the landlord participation agreements discussed above, may be separate from the monies used to buy down measures, depending on the Grantee requirements. Grantees have the flexibility to structure their requirements to meet the individual Grantee needs.

Buy-Downs

At Grantee discretion, building owners may also buy down measures *they* typically prioritize as needs – like furnace or boiler replacements or new fenestration – that do save energy but don't achieve an SIR of 1 or greater as a stand-alone measure.

This guidance addresses how Grantees (or Subgrantees administering the Program) can use investments from other sources to buy down measures in order to meet the program requirements that the SIR of the complete project is at least 1.0 or greater as required in section 440.21 for the WAP investment.

It is DOE's aim to bring as many non-federal resources into the program to buy down measures that do not meet the individual SIR requirements in the initial audit run. To create even greater flexibility, in addition to landlord contributions, Grantees may use other sources, including *Federal* sources to buy down measures provided the Grantee has permission from the other federal source(s).

NOTE:

- All associated health and safety costs incurred on a dwelling unit are generally treated outside the SIR when determining cost-effectiveness. However, all energy-related incidental repair measures associated with weatherizing the dwelling units are a part of the SIR when determining cost-effectiveness.

It is DOE's intent to allow Grantees and Subgrantees some flexibility in calculating the SIR for a specific measure when other funds can be used to offset some of the costs, thereby reducing the WAP investment on the remaining investment. It is not DOE's intent, however, to participate in projects that do not demonstrate overall cost effectiveness in design and installation.

DOE expects that all Grantees and Subgrantees will use this SIR calculation allowance only when the cost effectiveness for the entire investment in the property can still be substantiated. In other words, a measure can be bought down only when the overall SIR of the package of measures, including the *full* cost of the measure that will be bought down, is 1.0 or greater.

Example: In order for a measure to qualify for the buy-down, the package of measures, including the full cost (the pre-buy-down cost) of the measure which is to be bought down, must have an $SIR \geq 1.0$.

For example, in the first case below the replacement windows would be eligible for a buy-down in WAP; the replacement windows with a full-cost measure $SIR = 0.8$ could be bought down so the after-buy-down DOE *measure* cost would have an SIR of at least 1.0 (and of course the post-buy-down DOE package SIR would increase).

In the second case the replacement windows would not be eligible for a buy-down in WAP because the pre-buy-down *package* SIR is below 1.0.

Energy Saving Economics Case 1 – Buy-down Allowed in WAP		
Measure	Measure SIR	Cumulative SIR
Infiltration Reduction	1.3	1.3
Lighting Retrofits	7.4	1.7
Ceiling Insulation	2.4	1.9
Replacement Windows (pre-buy-down)	0.8	1.1 (≥ 1.0)

Energy Saving Economics Case 2 – Buy-down Not Allowed in WAP		
Measure	Measure SIR	Cumulative SIR
Infiltration Reduction	1.3	1.3
Lighting Retrofits	7.4	1.7
Ceiling Insulation	2.4	1.9
Replacement Windows (pre-buy-down)	0.6	0.9 (not ≥ 1.0)

Further, it is not DOE's intent to "leapfrog" measures that are already cost-effective in order to accommodate a measure that is included in the package of measures as a result of using the provisions of this guidance. All measures that were cost-effective after the initial energy audit is conducted would remain a part of the list of measures to be completed on the building. Measures that did not attain the SIR of 1.0 can only be considered for buy down if all the cost-effective measures in the initial audit are also installed.

The following steps are recommended in order to determine what other funding is necessary to leverage for a measure that would otherwise not meet WAP SIR requirements:

1. Using the full, non-leveraged cost of all measures, conduct an initial energy audit of the building to determine the package of measures that has a combined SIR of 1.0 or greater, including measures that are not cost-effective without leveraged resources.
2. Determine whether sufficient funds from other resources are available to bring any measures with individual SIRs below 1.0 in that package up to at least an SIR of 1.0.
3. Apply those other funds to that measure and include it in the package of measures.
4. Document the inclusion of the leveraged measure into the weatherization statement of work with the original energy audit and either
 - a. A summary of all costs associated with the weatherization of the building, including any or all resources to be used, or
 - b. A revised audit in which the leveraged price of the additional measure is used as the measure cost. This documentation will become part of the building's customer file along with the inputs and results of both energy audits.

CONCLUSION: DOE recognizes the value and benefits that may be achieved through weatherizing multifamily buildings. Grantees and Subgrantees made tremendous strides in the last few years in addressing this housing stock on a national basis. DOE's aim is to continue to support Grantees (and the Subgrantees administering the work) in developing additional tools, supporting the different skill sets and necessary techniques, and assisting in managing the time considerations required from this type of Weatherization work.

In the last few years, DOE has invested in several T&TA Tools and Resources that are directly related to assisting Grantees in their pursuit of serving multifamily buildings. As these are released, DOE will notify the Grantees.

Grantees with questions or concerns related to multifamily buildings should contact their respective DOE Project Officer with any specific needs or requests for clarification.



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