

**MULTIFAMILY OPERATING PLAN
for the
GREEN JOBS - GREEN NEW YORK PROGRAM**

I. Overview

A. Purpose of the Plan

This Multifamily Operating Plan for the Green Jobs-Green New York (GJGNY) Program outlines the New York State Energy Research and Development Authority's (NYSERDA) role and responsibilities in implementing the multifamily component of the Green Jobs Green New York Act of 2009¹. This Multifamily Operating Plan presents the goals and the strategies that will be deployed to accomplish the ambitious goals set forth in that Act.

B. Background & Requirements of the Legislation

NYSERDA is administering the Green Jobs-Green New York Program (GJGNY) in consultation with the Division of Housing and Community Renewal (DHCR), Department of Labor (DOL), Office of Temporary and Disability Assistance (OTDA), Department of Public Service (DPS), Power Authority of the State of New York (NYPA), Department of Economic Development (DED), and the Department of Environmental Conservation (DEC).

The legislation directs NYSERDA to:

- establish a revolving loan fund to provide loans to finance the cost of approved qualified energy efficiency services for residential, multifamily, and non-residential structures;
- pursue the feasibility of other innovative financing mechanisms, such as on-bill and Property Assessed Clean Energy (PACE) financing;
- issue one or more competitive opportunities to solicit applications from partnerships or consortia comprised of constituency-based organizations which can connect community members to the program;
- establish standards for energy audits based on building type and other relevant considerations;
- establish a schedule of fees for energy audits including a sliding scale by which audit fees shall be waived for residential applicants whose demonstrated income is less than two times the median county household income, and the full fees shall be paid by applicants whose median county household is not less than four times the median county household income applicants whose income is between two and four times the county median income will required to pay a pro rata percentage of the audit fee

¹ On October 9, 2009, Governor David Paterson signed into law the Green Jobs Green New York Act of 2009 (A.8901/S.5888 and chapter amendment A.9031/S.6032)

- enter into contracts to provide employment and training services to support the Green Jobs Green New York Program;
- establish an Advisory Council;
- provide annual reports to the Governor, Senate and Assembly;

II. Planning Process

The GJGNY Program is being developed with advice from interested parties and stakeholders.

A. Advisory Council

NYSERDA has established an Advisory Council to advise the Authority on program design and implementation. As directed by the Legislature, the Green Jobs-Green New York Advisory Council consists of: (A) The President of NYSERDA; The Secretary of State; The Commissioner of Housing and Community Renewal; The Commissioner of Labor; The Commissioner of Temporary and Disability Assistance; The Chair of the Consumer Protection Board; The Chair of the Department of Public Service; The President of the Power Authority of the State of New York; The President of the Long Island Power Authority; The Commissioner of Economic Development; The Commissioner of Environmental Conservation; or the designees of such persons. And (B): Representatives of Constituency-Based Community Groups, Consumer Advocates on utility and housing issues; Community-Based Workforce Development Groups; Unions, Including Building Trades and Property Services; Home Performance Contractors; Large-Scale Construction Contractors; and Investment Market Experts. The President of NYSERDA serves as Chair of the Council. The Advisory Council input has been incorporated into this Plan.

B. Working Groups

NYSERDA has established six distinct Working Groups to address specific areas of focus in the development of GJGNY. These various Working Groups include representatives of interested parties and stakeholders. These representatives are providing advice regarding the development of the Operating Plans in each of the following areas of focus:

1. Workforce Development
2. Small Homes
3. Multifamily
4. Not For Profit/Small Commercial
5. Finance
6. Outreach & Marketing

III. GJGNY Financing

The legislation authorizes NYSERDA to establish a revolving loan fund to finance qualified energy efficiency services and allows NYSERDA to establish the term and structure of loans offered as deemed appropriate, subject to maximum loan amounts of \$13,000 for residential structures (four or fewer dwelling units), \$26,000 for non-residential structures (small commercial/not-for-profit facilities), and amounts as determined by NYSERDA for multifamily structures (five or more dwelling units).

GJGNY is expected to offer three types of loans: unsecured loans; loans to be repaid through property tax assessments of participating municipalities (assuming amendments to the Municipal Sustainable Energy Loan Program authorizes municipalities to enter into agreements with NYSERDA and use funding provided by NYSERDA); and loans where the consumer repays the obligation through an on-bill utility charge (initially through a pilot program that is being developed with National Grid and that may later be expanded to include other utilities).

IV. Green Jobs Green New York - Total Proposed Budget

The overall proposed budget for the Green Jobs Green New York Program is presented below. Details on the multifamily portion of this budget are provided in the Multifamily Proposed Budget section of this document.

| Green Jobs Green New York - Total Proposed Budget | |
|--|---------------|
| Element | Budget |
| Workforce Development | \$8,000,000 |
| Outreach & Marketing | \$10,000,000 |
| Residential ¹ | \$40,280,000 |
| Multifamily ¹ | \$16,112,000 |
| Small Commercial ¹ | \$24,168,000 |
| Program Administration | \$7,840,000 |
| Program Evaluation | \$5,600,000 |
| Total | \$112,000,000 |

¹May include use of funds for interim loan financing, credit enhancement or reserves for loans securitized and sold to leverage additional funds from capital market investor, and support for overall financing subsidies to cover difference between borrower loan interest rates and costs of financing.

V. Purpose and Strategies for implementation

A. Purpose as defined in the legislation:

- promote energy efficiency, energy conservation and the installation of clean energy technologies;
- reduce energy consumption and energy costs;
- reduce greenhouse gas emissions;
- support sustainable community development;
- create green job opportunities, including opportunities for new entrants into the state’s workforce, the long-term unemployed and displaced workers; and
- use innovative financing mechanisms to finance energy efficiency improvements through energy cost savings.

B. Target Audience for Multifamily Projects

The GJGNY legislation defines a multifamily structure as “a multi-unit residential building with five or more dwelling units”². A multifamily project may include a single multifamily structure, or a group of multifamily structures.

The needs of the multifamily sector will be addressed by working with developers, building owners and their representatives to improve the energy efficiency, health, safety, and security of multifamily residential buildings. The intention is to identify and target those potential Participants³ who are committed to implementation of energy-related improvements. As part of the GJGNY marketing and outreach efforts, provision will be made to encourage referrals from constituency-based and other community based organizations.

C. Implementation Strategy for Multifamily Projects

GJGNY financing and co-funding of audits will be offered through the Multifamily Performance Program. (MPP) Therefore, NYSERDA intends to rely on the administrative processes used for MPP.⁴ As background, MPP is a comprehensive program that serves market-rate and low- to moderate-income projects using a common process, and relies on a network of energy service contractors who have demonstrated their ability to provide building performance services to multifamily buildings. These contractors are identified as MPP Partners, and must be employed by MPP Participants to complete specific building performance services.

² Green Jobs Green New York Act of 2009 (A.8901/S.5888 and chapter amendment A.9031/S.6032)

³ Eligibility to apply and participate is limited to building owners and entities authorized by the owner to contract for the provision of qualified energy efficiency services. Singular dwelling unit residents or owners are not eligible to separately participate.

⁴ MPP is currently under redesign, and the existing MPP processes, guidelines and rules will be modified. The MPP processes will be stream-lined to expedite the process and more effectively facilitate the installation of measures. These modifications will, in part, address recommendations provided by various members of the Multifamily Working Group advising the GJ-GNY program development.

As the Program Administrator, NYSERDA has engaged an Implementation contractor and a Quality Assurance (QA) contractor to support program delivery. NYSERDA retains responsibility for the overall design and implementation of these programs. NYSERDA will continue to establish program guidelines, and is responsible for establishing and maintaining the network of MPP Partners. NYSERDA also reviews and approves customer applications; creates and executes the Participation Agreements; and processes incentive payments.

The Implementation contractor will process customer applications, review Energy Reduction Plans and other program submissions, and provide reports on various program metrics. The QA contractor will provide feedback on the program and monitor compliance with program guidelines. MPP Partners will assist Participants with project implementation by completing the initial energy audit(s) and developing the Energy Reduction Plan (ERP). The MPP Partner will also be responsible for verifying that the energy-related workscope is installed in compliance with Program requirements. The MPP Partner may be engaged by the Participant, at their option, to additionally assist in related services such as preparation of construction documents, commissioning, and post-construction verification of savings.

NYSERDA, the Implementation contractor and the QA contractor will manage GJGNY-funded services as a seamless part of the MPP process, regardless of whether the participant intends to access MPP implementation incentives, utility program rebates, and/or other financial assistance, or simply intend to fund a portion or all of the energy-related improvements through the GJGNY financing.

D. Standards for Multifamily Energy Audit & Energy Reduction Plan

Program support and co-funding will be offered to applicants for completion of the comprehensive energy audit(s) and development of an Energy Reduction Plan (ERP). The ERP identifies the set of cost-effective energy-related improvements to be installed, and provides information necessary to guide installation of those measures. The ERP includes a detailed description of the proposed work scope, with the associated costs, projected energy saving, an outline for how costs will be financed, and a proposed schedule for construction. If a group of buildings will only require a single ERP to be completed, that building group may be treated as a single project.

To be eligible for program support and co-funding, the energy audit(s) and ERP must comply with the relevant Multifamily Performance Program (MPP) standards and requirements, including but not limited to the MPP's Energy Reduction Plan Guidelines and Simulation Guidelines⁵ in effect at the time of

⁵ MPP's Simulation Guidelines contain methodologies for energy simulation and model calibration. Those Simulation Guidelines are to be used by MPP Partners to evaluate energy reduction measures and to calculate the projected savings and cost effectiveness of recommendations included in the Energy Reduction Plan. All current MPP documents and guidelines are under revision. Final versions will be published in conjunction with program launch.

application. The energy-related improvements completed with GJGNY assistance must be installed in accordance with MPP's Minimum Performance Standards, and relevant MPP guidelines such as the Measure Implementation Guidelines. Additionally, the ERP must be completed by a BPI-certified Multifamily Building Analyst employed through an MPP Partner.

E. Energy Audit Fees for Multifamily Buildings

Co-funding of the energy audit(s) and development of an Energy Reduction Plan (ERP) will be offered in two tiers, based on household income, with a higher level of funding available to Participants that satisfy NYSERDA's affordable housing criteria. To be eligible as an affordable housing project, the applicant must document that at least 25% of the residential dwelling units are occupied by families earning no more than 80% of the State or Area Median Income (whichever is higher). NYSERDA allows reliance upon certain proxies to document compliance with this definition and those proxies are specified in the MPP program documentation. The current proxies include previously completed household income verification by housing regulators such as the NYS Division of Housing and Community Renewal (DHCR), NYC's Housing Preservation and Development (HPD), the NYS Housing Finance Agency, and the U.S. Department of Housing & Urban Development (HUD).

The co-funding amount offered for completion the audit(s) and ERP will be as specified in the MPP program documentation.⁶ One ERP will be developed per project; however a single project may include multiple buildings. The co-funding amount is dependent on the size and complexity of the project, with higher co-funding offered if more than one unique energy audit must be conducted in support of a single project and the associated ERP. To be eligible to receive this co-funding and to access the GJGNY financing, the Participant must use an MPP Partner to complete the audit(s) and ERP.

⁶ The current draft incentive schedule for completion of the Energy Reduction Plan is attached for reference. These incentives are based on the previous MPP incentive structure, modified to reflect what is currently proposed for the Multifamily Performance Program.

F. Application and Participation process

1. Following submission of an application, a NYSERDA representative will hold a scoping session⁷ with the applicant and their selected MPP Partner. This scoping session is intended to establish the applicant's energy-related interests and intent; to identify the opportunities available for the applicant to accomplish the goals set out for Participants, and outline an appropriate path to accomplish these goals. If, as a result of this scoping session, NYSERDA determines that the applicant is not fully committed to pursuit of the GJGNY goals, or that a legitimate opportunity to accomplish those goals is not available, the applicant will not be allowed to proceed further in the program.
2. If the applicant, NYSERDA and the MPP Partner successfully identify and agree to an approach for accomplishing the GJGNY goals, a Participation Agreement will be offered to secure the applicant's commitment to fulfill their obligations, and to provide NYSERDA's associated funding commitment. Beyond the GJGNY funding intended to support the energy audit(s) and Energy Reduction Plan (ERP) development, this Participation Agreement may additionally establish NYSERDA's commitment to provision of MPP incentive funding to support the installation of the energy-related measures outlined in the ERP. Under certain circumstances, the applicant may access incentive funding from sources not administered by NYSERDA.
3. Following execution of the Participation Agreement, the MPP Partner will work with the Participant⁸ to complete the energy audit(s) and to develop the ERP. Once the ERP is completed and the Participant accepts its recommendations, the MPP Partner will submit the completed ERP to NYSERDA for review and approval. Following review, NYSERDA will either approve the ERP or recommend modifications required for the ERP to comply with NYSERDA expectations. If the Participant does not accept NYSERDA's response, the project will not proceed further in the program.
4. Upon NYSERDA's approval of the ERP, the Participant will be eligible to apply for GJGNY financing. The Participant will be expected to complete the energy-related improvements identified in the ERP. The MPP Partner is available to support the Participant during the construction process. As noted elsewhere in this Operating Plan, the energy-related improvements completed with GJGNY financial support must be installed in accordance with MPP's Minimum Performance Standards, and relevant MPP guidelines such as the Measure Implementation Guidelines.

⁷ The term 'Scoping Session' is intended to reference the engagement between the applicant, NYSERDA and the Program Partner to confirm the applicant's eligibility to participate in the GJGNY Multifamily Program, the opportunities and the applicant's commitment to the installation of energy-related improvements to their building.

⁸ Following execution of the Participation Agreement by NYSERDA, the applicant will be described as a Participant in the GJGNY Multifamily Program

G. Multifamily Project Financing

A Participant may choose to install a single or multiple energy-related improvement(s), as identified in their Energy Reduction Plan (ERP). The costs for installing those energy-related improvements may be eligible for financing through the GJGNY Loan Program, in whole or in part. The multifamily loan eligibility limits will be \$5,000 per dwelling unit, with a per project maximum amount of \$500,000.

To be eligible to access the GJGNY financing, the aggregate work scope must be cost-effective over the lifetime of measures to be installed. This cost effectiveness will be established through calculation of a Savings to Investment Ratio⁹ which equals or exceeds one. [$SIR \geq 1.0$] This evaluation of cost-effectiveness must include the fees charged by the Partner to provide the Program services, the costs of the proposed measures and their associated installation costs, any associated feasibility study and/or design fees, and a construction management fee, if applicable and not already included in the Partner fees. Measures that are not cost effective individually may be included in the project scope of work if the overall $SIR \geq 1.0$, calculated in accordance with the Standards and Guidelines referenced in Section V, Subsection D of this Operating Plan.

Participants receiving GJGNY funding may be eligible to access NYSERDA's Multifamily Performance Program (MPP) *Existing Buildings Component* incentives to support installation of energy-related measures. Participants receiving GJGNY funding may additionally be allowed access to financial opportunities offered through utility rebate programs, DHCR's Weatherization Assistance Program or the U.S. Department of Housing & Urban Development (HUD). MPP Partners are expected to provide information regarding these additional funding opportunities, and to assist the Participant in securing funding from those sources, as appropriate. The MPP Partner is also expected to inform the participant regarding any limitations relating to accessing those multiple sources of funding.

⁹ The present value of the lifetime dollar savings for a measure divided by the cost of the installed measure yields a savings to investment ratio (SIR). These calculations are completed in present-value terms, and are a comparison with the existing conditions. MPP's Energy Reduction Plan Guidelines and Program Guidelines provide additional detail regarding calculation of measure- and project-level SIR.

H. Multifamily Quality Control & Quality Assurance

Quality Control (QC) refers to the policies and procedures used by the Program Implementer and MPP Partners to ensure that quality work is performed by the MPP Partners and Participants. NYSERDA and/or the Program Implementer will review Energy Reduction Plans for compliance with program guidelines, policies and procedures. NYSERDA and/or the Program Implementer will also review incentive requests and other submissions made by MPP Partners and Participants for accuracy, thoroughness and compliance with program guidelines, policies and procedures. Incentive payments may be withheld by NYSERDA for projects that do not complete the work outlined in their Energy Reduction Plan or otherwise fail to fulfill their obligations as outlined in the Participation Agreement.

Quality Assurance (QA) is performed by a third party contractor to evaluate whether those QC policies and procedures work. This QA process is intended to measure the adequacy of or assist in the development and refinement of the QC policies and procedures, and establishes systems to ensure that problems detected during the QA process are rectified. The QA Contractor's evaluations can occur at any of several steps in the process, including a site visit following a Participant's submission of an application but prior to completion of any work by the Partner; following the MPP Partner's submission of the Energy Reduction Plan but before construction has started; at any point during the construction process; or following full implementation of the proposed work scope. The intent is for the QA Contractor to perform Energy Reduction Plan reviews and site visits for at least one project per MPP Partner, with a goal of evaluating the thoroughness and accuracy of the MPP Partners' audits, modeling and Energy Reduction Plans; and also to evaluate the quality of the Participant's installation of measures and compliance with the work outlined in those Energy Reduction Plans.

I. Coordination with Other Program Administrators

NYSERDA will continue to work with other program administrators, including utility service providers, to address coordination issues and minimize confusion where multiple incentive opportunities are available to customers. NYSERDA also coordinates with the NYS Division of Housing and Community Renewal's Weatherization Assistance Program (WAP), NYC Housing Preservation and Development (HPD), the U.S. Department of Housing & Urban Development (HUD), and others to leverage additional funding, as appropriate.

VI. Multifamily Proposed Budget and Goals

| Multifamily Program Area Proposed Budget | |
|---|---------------------|
| Element | Budget |
| Energy Audits | \$3,000,000 |
| Implementation & Quality Assurance | \$1,400,000 |
| Financing ¹ | \$11,712,000 |
| Total | \$16,112,000 |

¹May include use of funds for interim loan financing, credit enhancement or reserves for loans securitized and sold to leverage additional funds from capital market investor, and support for overall financing subsidies to cover difference between borrower loan interest rates and costs of financing.

The initial phase of the multifamily GJGNY program is expected to support delivery of energy audits and Energy Reduction Plans for approximately 50,000 residential dwelling units in 500 buildings. The projected energy savings metrics for the GJGNY Program, such as kW, kWh, MMBtu and their carbon equivalents, are under development. Based on current Multifamily Performance Program experience, the GJGNY projects which additionally participate in MPP and reduce their building's total energy use by 15% would be expected to realize a per dwelling unit annual savings of approximately 460 kWh and 13 MMBtu.

While a portion of the GJGNY projects are expected to access a GJGNY Loan Program, a significant number of Program Participants may complete the installation of their energy-related improvements exclusively with alternative financial support. Development and delivery of the necessary energy audits and Energy Reduction Plans by Program Partners will clearly result in employment opportunities. Additionally, the costs associated with the construction of projects developed with GJGNY support are expected to exceed the GJGNY multifamily financing budget. Based on the Participant having access to multiple funding sources to support completion of the work outlined in their Energy Reduction Plans, the construction jobs associated with the completed work will likely exceed the more limited impact of the GJGNY financing budget by a significant factor.

VII. Schedule for Implementation

Program launch is planned to occur in conjunction with NYSERDA's revised Multifamily Performance Program. It is anticipated that applications can be accepted starting no later than July 1st 2010.

VIII. Evaluation Plan

NYSERDA anticipates spending approximately 5% of total program funding to support evaluation activities designed to assess the effectiveness, progress and outcomes related to the Program, including highlighting key findings, calculating estimated energy savings and providing recommendations for program improvement and expansion. Independent, expert evaluation contractors will conduct evaluation planning and implementation activities. Initial evaluation plans will be presented to the Advisory Council in May 2010 and will be subject to NYSERDA management approval.