

2009 MULTIFAMILY ENERGY EFFICIENCY IMPROVEMENT PILOT (MEEIP)

PROGRAM GUIDELINES

New Jersey Housing and Mortgage Finance Agency

June 18, 2009

<p>Program Overview</p>	<p>The Multifamily Energy Efficiency Improvement Pilot (MEEIP) permits eligible multifamily property owners to borrow funds to improve existing NJHMFA properties. The intent of this Pilot program is to provide low interest loans for multifamily housing improvements that increase properties' energy efficiency and conserve resources thereby preserving the quality of housing for residents and reducing property operating expenses.</p> <p>This loan can be used to finance the balance of the cost of energy efficiency improvements that are not covered by other incentives available from the State and Federal Government, such as the BPU's SmartStart "Pay for Performance" program or federal Energy Efficiency Commercial Buildings Tax Deduction, etc.</p> <p>Applications will be reviewed based upon date of receipt of a complete application, as indicated in program application instructions, with all supporting documentation as determined by NJHMFA at its sole discretion.</p> <p><i>Rents paid by tenants shall not increase as a result of this program.</i></p>
<p>Eligible Applicants</p>	<p>Eligible applicants must meet all of the following:</p> <ol style="list-style-type: none"> (1) Own a multifamily building (5 units or more) that has an existing primary permanent mortgage (First Mortgage) with NJHMFA or proposed rental housing project to be renovated with an NJHMFA primary permanent mortgage (First Mortgage) (2) Be eligible for participation in the NJ Clean Energy Program 'Pay for Performance' program (3) Projects participating in the NJHMFA Weatherization Assistance Program are not eligible (4) Agree to extend affordability controls on any income-restricted units for an additional 15 years (5) Certify that the applicant has no outstanding state or federal tax liens (6) Will start construction within 60 days of the award of this energy efficiency loan (7) Will pass final inspections of energy efficiency improvements within (1) 12 months for projects that have an existing primary permanent mortgage with NJHMFA; (2) 24 months for projects that are applying for a new primary permanent mortgage with NJHMFA; and (3) within the time frame needed to meet ARRA federal and state funding deadlines
<p>Eligible Property</p>	<p>Eligible buildings must meet all of the following requirements:</p> <ol style="list-style-type: none"> (1) NJHMFA financed multifamily property consisting of 5 or more housing units; and (2) Have not participated in any New Jersey state energy efficiency incentive program in the last 5 years; and (3) The project must be at least 20 years old; or a new project to NJHMFA with buildings older than 20 years; and (4) Up-to-date on NJHMFA project reporting requirements; and (5) Priority will be given to projects that can achieve energy savings of greater than 25%; and (6) Meet NJHMFA standards for affordability; and (7) Have no outstanding health and safety issues: unless there is an NJHMFA approved plan in place to correct the issues.
<p>Eligible and Ineligible Uses of MEEIP Funds</p>	<p>In closing this loan, the applicant shall comply with NJHMFA's standard closing requirements. Loan proceeds are limited to making energy conservation improvements and repairs that are necessary to enhance energy conservation. The cumulative Savings to Investment Ratio (SIR)* for the entire job must be 1 or greater. In addition, insulation, air sealing and weatherstripping must be completed if an owner undertakes a heating and/or cooling system replacement or upgrade. Proposed measures and equipment must be ranked in order of expected payback and pre-approved by the NJ CEP 'Pay for Performance' Manager and the NJ Housing & Mortgage Finance Agency.</p>

	<p>Borrowers pay third-party-fees such as the certified energy audit, title update, credit report, recording fee and (in some cases) appraisal of the property. These, and similar, fees may not be included in the loan amount.</p> <p>For rehabilitation projects that are coming in for an NJHMFA primary permanent mortgage, MEEIP will only fund the difference between the cost of a conventional system or component and the cost of a substitute or supplemental energy efficiency component.</p> <p>Energy improvements may include, but are not limited to:</p> <ul style="list-style-type: none"> • Insulation, air sealing and weather stripping (required if replacing an HVAC system) • HVAC system repair and replacement (including alternative fuel sources and excluding cogeneration) • Solar Domestic Hot Water system installation • Storm windows and doors • ENERGY STAR-rated windows and appliances • Common space auto-cutoff controls and programmable thermostats • Ventilation and moisture controls • Minimal roof repairs (if the attic is insulated to R-60; if deemed necessary for the integrity of energy improvements and/or for health and safety reasons) <p><i>* Savings-to-Investment Ratio (SIR) – By the end of the term of the loan, savings as a direct result of these upgrades must equal or exceed the cost of the improvements. For example, an 8-year, \$150,000 loan with a projected energy cost savings of \$18,750 per year would have an SIR of 1.</i></p>
<p>Leveraging</p>	<p>To participate in this loan program, projects must apply to and participate in the NJ Smart Start ‘Pay for Performance’ program.</p> <p>Projects participating in the NJHMFA Weatherization Assistance Program are not eligible.</p> <p>Existing projects with sufficient surplus cash, as determined by NJHMFA, will be required to fund up to 50% of the cost of improvements.</p>
<p>Maintenance Staff Training</p>	<p>Operations & 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>Repayment</p>	<p>25% of cash flow remaining after the payment of operating expenses, required reserves and amortized debt.</p>
<p>Loan Terms and Interest Rate</p>	<p>This low-interest loan (2% interest rate, compounded annually) is subject to the following terms:</p> <ul style="list-style-type: none"> • Loan will be co-terminus with existing mortgage with a balloon payment obligation at the end of the loan term, or repayment. • Loan may be refinanced if the borrower cannot meet balloon payment obligation at the end of the term. • Balance must be repaid ahead of ROE payout. <p>Loan limited to \$2,000/unit – not to exceed \$500,000</p>
<p>Prepayments</p>	<p>The loan may be prepaid. Prepayment restrictions of existing loans will remain in force.</p>
<p>Program Funding, Monitoring and</p>	<p>The NJ Green Homes Office at NJHMFA will monitor funds received and expended for the Multifamily Energy Efficiency Improvement Pilot. Applicant shall comply with all State and Federal reporting and funding requirements, such as Davis-Bacon, etc.</p>

Reporting Requirements	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.
Carbon Emission Reductions	The project owner will assign to NJHMFA all rights and interests the owner has in all greenhouse gas emission reductions resulting from the improvements. The revenue from the sale of greenhouse gas emission reductions contributes to the availability of low-interest financing for this program.

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