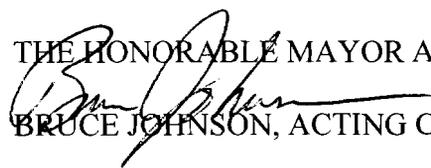


City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 20, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: RECONSIDERATION OF RESIDENTIAL ENERGY EFFICIENCY INITIATIVES TO BE FUNDED THROUGH THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG)

ISSUE: Reconsideration of Residential Energy Efficiency Initiatives to be funded through the Energy Efficiency and Conservation Block Grant (EECBG)

RECOMMENDATION: That City Council:

1. Approve the use of the previous allocation of \$100,000 in EECBG monies to Rebuilding Together Alexandria to perform residential energy efficiency upgrades and consumer education at the Arlandria Chirilagua Housing Cooperative (ACHC); and
2. Authorize the Acting City Manager to execute all necessary documents.

DISCUSSION: On May 10, Council considered a recommendation to reallocate \$208,000 in Federal EECBG grant monies. Council approved a reallocation of \$108,000 in Federal EECBG grant funding for an energy efficiency revolving loan fund to serve moderate income Alexandria homeowners, and an allocation of \$100,000 in Federal EECBG grant funding to Rebuilding Together Alexandria (RTA), subject to staff returning with a list of candidate projects to perform residential energy efficiency upgrades and consumer education. On May 10, Council specifically did not approve the recommended use of these monies by RTA (See Attachment 1: Docket Item # 18 from May 10) to implement energy efficiency improvements at ACHC because Council had not yet received a previously requested report on ACHC's operations, physical condition, and reserves.

The report on ACHC addressing these issues is docketed for consideration immediately prior to this memorandum. Pursuant to one of Council's primary concerns, the report specifically addresses the findings of a recently completed reserve study and the adequacy of the property's reserves. If Council is comfortable with the information provided in that docket item, staff recommends that Council agree to RTA's use of the \$100,000 in EECBG monies at ACHC.

RTA submitted a proposal to undertake an energy efficiency and weatherization initiative at ACHC. ACHC is already undertaking a number of energy improvements, and RTA proposes to

use its cadre of skilled and semi-skilled volunteers to supplement and support their efforts. By using volunteer labor, RTA would provide significant leverage funds for this initiative.

Prior to proposing this recommendation to City Council, Katharine Medina, Executive Director of RTA, and City staff met with ACHC's Board of Directors to explore their interest. The Board was unanimously supportive and welcomed the City and RTA's interest in lowering their energy use as well as monthly housing costs of their residents. ACHC has agreed to share information on current energy use and will join the City in measuring the impact of this initiative on its future energy demands.

Staff's recommendation of ACHC as a project site was based on the goal of being able to meet expected significant impact on energy use at a relatively large number of homes, a total 284 units, and the generally lower income resident population of these homes, and the common utility billing that provides a unique opportunity for intervention in reducing residential energy use. In addition, the cooperative ownership structure provided an opportunity for collective intervention and subsequent energy use data collection that cannot easily be replicated at other multifamily homeownership housing within the City.

In discussing alternate sites with RTA, it was found no other multifamily homeownership housing within the City meets the goals outlined above. Staff discussed undertaking a scattered site approach to the RTA program, but it was determined that fewer units would be served, reducing the overall impact of the program. In addition, meeting federal grant compliance standards under a scattered site scenario would be more difficult.

However, in the event Council deems the progress ACHC has made and the findings in the prior document item are not adequate and, therefore, does not warrant the use of EECBG funds at the Cooperative, staff recommends that these funds be reprogrammed from RTA to increase the size of the energy efficiency revolving loan fund from \$108,000 to \$208,000. The increased funding in the revolving loan fund will enable the City to provide a greater number of loans or larger loan amounts to impact residential energy use more significantly. The general design and implementation guidelines for the loan fund have already been completed. Implementation of the program is expected to begin in September 2011.

FISCAL IMPACT: None. EECBG funds must be fully committed by August 2012. By selecting either the recommended RTA/ACHC option, or by increasing the energy efficiency revolving loan fund, this federal grant commitment deadline will be met.

ATTACHMENT:

Attachment 1: Docket Item #18, May 10 Council Meeting

STAFF:

Mark Jinks, Deputy City Manager

Mildrilyn Davis, Director, Office of Housing

Shane Cochran, Division Chief for Program Implementation, Office of Housing

EXHIBIT NO. 118.
5-10-11

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 2, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OF A PROGRAMMING CHANGE IN FUNDING ALLOCATED THROUGH THE ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG) TO SUPPORT TWO RESIDENTIAL ENERGY EFFICIENCY INITIATIVES

ISSUE: Consideration of a change in proposed activities funded by the federal Energy Efficiency and Conservation Block Grant (EECBG).

RECOMMENDATION: That the City Council:

- (1) Approve a reallocation of \$108,000 in federal EECBG grant funding for an energy efficiency revolving loan fund to serve moderate income Alexandria homeowners;
- (2) Approve a reallocation of \$100,000 in federal EECBG grant funding to perform residential energy efficiency upgrades and consumer education at the Arlandria Chirilagua Housing Cooperative; and
- (3) Authorize the City Manager to execute all necessary documents associated with these activities.

DISCUSSION: In 2009, City Council requested staff to explore development of a resource to provide low-cost/incentivized loans to finance energy retrofits for City residents. Access to affordable financing for energy retrofits addresses multiple principles established by the Environmental Charter of the Eco-City Alexandria initiative, including energy, green building, and climate change, and provides an important resource to promote sustainable environmental practices within the City.

Toward these goals, City Council allocated \$208,000 in June 2009 in federal American Recovery and Reinvestment Act (ARRA) funding through the EECBG to support development of a Green Revolving Loan Fund. In addition, in 2010 the Virginia General Assembly enacted legislation (Virginia State Code Section 15.2-958.3) which authorized localities to develop energy efficiency loan programs. The legislation, while providing a number of tools for implementing such a program, was found to have insufficient enforcement mechanisms and remedies for loan non-payment, as well as lacked clarity in the allowable lien position for such loans. Staff has

participated in a Commonwealth-wide work group which is researching, among other topics, improvements to the legislation to better meet the needs of local governments.

Because of these issues, staff explored a number of alternative approaches to creating such a fund including loan loss reserve account funding, interest rate buy-downs and third-party loan insurance programs. In spite of significant work at both the regional and Commonwealth-level, few such loan programs have been developed and partnership opportunities continue to be limited. Locally in Maryland, working under different state laws, Montgomery County and the City of Annapolis have approved programs that offer subsidized loans for energy improvements through bond financing.

In seeking to develop an energy improvement loan program, a number of other obstacles arose. Using the emerging national best practice, the originally planned energy loan repayment structure was based on the loan being a first lien and repaid through the City's property tax billings. Not only was the State Code found deficient to implement this type of structure, but the Federal Housing Finance Agency (which oversees Fannie Mae, Freddie Mac and the Federal Home Loan Banks) raised objections nationally about the growing practice of structuring home energy improvement loans in this manner. Given that the federal housing finance agencies, in a de facto sense, set the market standards for home mortgages, the Federal concerns in effect have blocked this type of loan structure. As a result, City staff has developed a proposed alternative energy efficiency loan program. EECBG regulations encourage partnerships with nonprofit agencies and provide that once a funding agreement with a third party agency is in place, funds are considered expended.

A. Energy Efficiency Loan Fund (\$108,000): Staff is recommending that \$108,000 be allocated to create and manage a revolving loan fund that would provide City residents loans of up to \$5,000 to complete energy efficiency improvements. Key features of the proposed program are:

- Loans would be provided at a very low interest rate of 2% to 3%, amortized over 5 years;
- Households with incomes up to 100% of Area Median Income (which is the City's income limit for the Moderate Income Home Ownership Program – MIHOP) would be eligible (approximately \$100,000 for a family of four);
- Each program participant would receive a free energy audit after loan closing to help guide their energy improvement decisions;
- City staff would market the program, receive and approve loan applications, complete certain federal requirements, and conduct an onsite inspection of the work; and
- Based on the proposed interest rate of 2% to 3%, it is expected that the loan fund will be self-sustaining and may serve as a platform for future expansion, possibly on a regional basis.

Recognizing the City's program design needs, staff sought a cost-effective and flexible approach that would serve to lower the participant's cost of entry into the program. AHC, Inc., a regional non-profit housing entity, was able to offer low transaction and servicing costs as they already are a program similar to this, as well as a willingness to be flexible and collaborative in designing the program to meet Alexandria's needs. Applications will be

processed through the City's Office of Housing with AHC performing largely backroom functions.

Federal funds used to capitalize a revolving loan fund maintain their federal character in perpetuity. As a result, federal requirements that apply to the funds such as the National Environmental Protection Act (NEPA) and the National Historic Preservation Act (NHPA) would apply during the life of the loan fund. City staff will be responsible for completion of site specific environmental reviews of project sites, as well as compliance monitoring of the recommended projects.

- B. Arlandria Chirilagua Housing Cooperative (\$100,000):** Staff also sought proposals from organizations that own affordable housing in the City, including from Rebuilding Together Alexandria, which has developed significant experience in residential weatherization and energy efficiency improvements through its ongoing home rehabilitation program for low income homeowners.

City staff is recommending that \$100,000 in EECBG grant funds be allocated to complete energy efficiency and weatherization improvements at the Arlandria Chirilagua Housing Cooperative (ACHC). ACHC is an affordable housing cooperative that the City has previously assisted. ACHC is already undertaking a number of energy improvements and Rebuilding Together Alexandria would be utilized to provide a cadre of skilled and semi-skilled volunteers to supplement and support ACHC efforts. By using volunteer labor, Rebuilding Together Alexandria projects that it will leverage \$2 for each \$1 of EECBG funds invested in the project. This equates to about \$300,000 in energy improvements. The Board was unanimously supportive and welcomed the City and RTA's interest in lowering their energy use as well as monthly housing costs of their residents. ACHC has agreed to share information on current energy use and will join the City in measuring the impact of this initiative on its future energy demands.

It should be noted that City Housing staff continues to work with ACHC and outside counsel to review and address issues related to the facility condition, reserves and management. While this review has taken much longer than anticipated, progress has been made and has been sufficient that staff is comfortable recommending the EECBG grant allocation.

FISCAL IMPACT: EECBG funds must be fully committed by May 25, 2012. The \$208,000 in federal funds requires no local match. The local financial commitment will be in the form of existing Office of Housing staff who will administer these two programs within existing staff levels.

STAFF:

Mark Jinks, Deputy City Manager
Mildrilyn Stephens Davis, Director, Office of Housing
Helen Mellvaine, Deputy Director, Office of Housing
Shane Cochran, Division Chief for Program Implementation, Office of Housing