

Effective Strategies for Achieving High Participation and Deeper Savings in Income-Eligible Multifamily Buildings

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BACKGROUND AND OBJECTIVE

This technical memo provides best practices and strategies for achieving high participation in low-cost, direct install multifamily programs for income-eligible properties. In addition, it also includes best practices and strategies for encouraging deeper savings in these properties beyond direct install. In order to address these topics, the memo will begin with an introduction to affordable housing providers and stakeholders as they can be key partners in reaching these objectives.

KEY AFFORDABLE HOUSING PROVIDERS AND STAKEHOLDERS

Many diverse organizations are involved in multifamily housing that serve lower income groups and can be useful channels for reaching buildings owners. These organizations include multifamily and affordable housing trade organizations, affordable housing providers and developers, housing finance agencies, and public housing authorities. In addition to marketing and outreach, these stakeholders can play valuable roles in identifying potential projects and leveraging resources to move more comprehensive projects to implementation and achieve deeper savings – all of which will be discussed in detail throughout this memo. These groups often share an interest in energy efficiency as a means of keeping housing (including utility costs) affordable and sustainable and therefore, should be viewed as strategic partners for multifamily utility efficiency programs.

The primary multifamily stakeholders that should be considered as key partners for utility energy efficiency programs include:

Public housing authorities (PHAs). PHAs own and operate public housing. They often own affordable multifamily buildings and administer federal housing voucher programs in other privately owned multifamily buildings. Overall, they have oversight of a substantial amount of multifamily buildings occupied by lower-income residents.

Affordable housing developers, owners, and advocates. These groups finance, develop, and provide technical expertise to a significant share of the affordable market-rate, multifamily housing stock. These groups actively engage in efforts to preserve and rehabilitate existing affordable multifamily housing and to reduce residents' utility bills. Many organizations develop and rehabilitate multifamily housing at scale statewide and/or nationally. These

organizations could potentially provide a pipeline of projects that could be fed into utility programs.

Housing finance agencies (HFAs). HFAs help finance the construction of affordable multifamily buildings through tax credit programs (e.g., Low Income Housing Tax Credit) and other state subsidies. In doing so, they have close relationships with the owners of multifamily buildings in which they invest.

In short, the abovementioned stakeholders provide or support affordable multifamily housing which includes:

1. Housing that is affordable to lower income groups but is unsubsidized (i.e., households or property owners do not receive any form of government assistance for housing costs)
2. Public housing administered and owned by a local housing authority
3. Project-based subsidized housing which includes multifamily subsidized housing that is owned by a private landlord or corporation that receives government subsidies to provide affordable housing (i.e., the government-issued subsidy stays with the housing development, not a particular tenant)
4. Privately owned rental housing in which households receive government-issued rental assistance (e.g., vouchers administered and managed by a local housing authority or non-profit organizations)

For efficiency program implementers, identifying households that meet income restrictions can be difficult. However, many of these stakeholders already have mechanisms in place to identify such households (e.g., inventory of households that receive public assistance). State housing finance agencies, for example, have processes for income verification and therefore, have the potential for reducing the burden of utilities in identifying, qualifying, and ultimately, reaching these residents.

Another way to engage with these stakeholders is to establish program advisory committees and invite them to participate in identifying ways to improve program design, coordination, and delivery of energy efficiency programs in the multifamily sector. Affordable housing groups can provide key information on federal and state housing agencies' efforts to incorporate requirements or incentives for energy efficiency in their funding programs. Advisory committees can also be useful for identifying challenges in the sector and solutions. Such engagement also helps raise awareness of program opportunities and thereby increase participation.

An example of an effective program advisory committee is the Massachusetts Low-Income Energy Affordability Network (LEAN) that oversees the Massachusetts Low-Income Multi-Family Retrofit program – an efficiency program funded by several utilities. LEAN is an association of community action agencies that have been providing energy efficiency and weatherization services since 1997. In order to design and implement a program that meets the needs of the state's low-income housing providers, LEAN created the Multi-Family Advisory Committee to bring together representatives from the utility, housing finance, community

development, tenant and ownership communities. The Committee members help with outreach to each of their communities and address challenges with the program's implementation.

BEST PRACTICES AND STRATEGIES FOR ACHIEVING HIGH PARTICIPATION IN A LOW-COST, DIRECT INSTALL MULTIFAMILY PROGRAM

Target property owners and managers through affordable housing stakeholders and other networks

A recent study from California indicates that even highly effective low-income weatherization programs often struggle with reaching multifamily rental units.¹ This is in large part explained by the difficulty in reaching property owners who must approve any upgrades or in some cases, be present when measures are installed. While some direct install measures might not require approval from building owners, capital improvements do and if direct install and/or audits are intended to be a pathway for deeper measures, building owners remain the most important decision-makers. As a result, ACEEE recommends that utilities target building owners and/or managers directly when marketing their in-unit, low-cost direct install measures for multifamily buildings.

In addition to the common owners and operators of affordable multifamily buildings listed above, there are associations of apartment owners and property managers that should also be considered for outreach and marketing. Marketing directly to these associations can be very effective in raising awareness of program opportunities and gaining participation.

These stakeholders can also help efficiency program implementers connect to multifamily building owners that own or oversee multiple buildings. Some utilities actively reach out directly to building owners and encourage them to take a *portfolio-wide approach* to upgrading their properties. For instance, partnering with one non-profit affordable housing provider might result in reaching several buildings and hundreds of units.

Examples of utilities working with associations or affordable housing groups:

- **Austin Energy** has had a longstanding partnership with the Austin Apartment Association, which has been a key driver of success for Austin Energy's multifamily program. The strong network of property managers has helped build awareness and spread adoption of the program as managers move around to various properties and companies. Austin Energy also works with the Independent Renters and Owners Committee (IROC) that represents owners of multiple smaller properties and educates onsite managers and maintenance staff to influence decision making on the everyday operations of buildings.

¹ Rasmussen, Tami, Carol Edwards, Brenda Gettig, Mary O'Drain, and Ava Tran. 2014. "Understanding the Needs of Low-Income Customers: Comprehensive, Robust Results from a Needs Assessment Survey." Paper presented at the 2014 ACEEE Summer Study on Energy Efficiency in Buildings. Available at: <http://aceee.org/files/proceedings/2014/data/papers/2-1088.pdf>.

- **Efficiency Vermont** developed its Building Performance and residential rental property rebate programs to provide owners with incentives for whatever energy efficiency projects made sense for their buildings. Efficiency Vermont has developed a partnership with the Vermont Apartment Association in order to reach these owners of rental properties directly through the Association’s newsletter and events.
- **Puget Sound Energy** has become a member of multifamily organizations and attends association meetings as a way to reach the target population for its multifamily program. PSE actively engages in association events through purchasing booth space and exhibiting and submits articles to organization publications, which typically can be done at no cost.
- The **Energy Trust of Oregon** has program staff responsible for building relationships with specific sub-segments of the multifamily market: market-rate, campus living, assisted living, condos, and affordable. The Energy Trust has staff leads who specialize in business development for particular segments of the multifamily market, including low-income/affordable units. They reach out directly to building owners to encourage a portfolio-wide approach to upgrading their properties. The business development leads guide owners throughout the entire process, including helping them complete applications, secure contractors, and complete any necessary inspections. Based on a process evaluation and market research, the Energy Trust is working to develop messaging and market materials that target the varying levels of decision makers as well as the different sectors of the multifamily market. The Energy Trust has learned that different language and information are needed to influence market-rate as opposed to affordable building owners. The Energy Trust also has learned that multifamily building owners, like their commercial counterparts, are motivated by earning a return on their investment and improving the value of their properties, rather than by saving energy for their tenants as a marketing and retention strategy. As a result, the Trust’s business development leads are now working with owners to get energy efficiency upgrades included in budget and capital improvement planning cycles.²
- **Efficiency Maine** participates in trade shows targeting building owners and property managers. It organizes and hosts informational breakfasts for these audiences. Direct mail and e-marketing are additional means to market Efficiency Maine’s multifamily program using tailored messages for these audiences. It also includes such messages in association mailers and communications when possible.

Simplify enrollment for multifamily building owners

Multifamily building owners and housing agency staff often face limited time and technical capacity to undertake energy efficiency measures. Therefore, having a simplified and customer-oriented process is necessary to maximize participation.

² For more information on the Energy Trust of Oregon’s multifamily program evaluation see, [2012 Existing Multifamily Process Evaluation](#).

Having a single point of contact to enroll in a program and as an on-going resource throughout the program can greatly increase program participation. A true one-stop-shop will serve as a point-of-contact for building owners interested in energy efficiency programs, organize a whole-building energy audit, streamline applicable incentives/rebates, and help building owners evaluate and identify contractors. This approach would help reduce market confusion and high transaction costs that buildings owners often face. Overall, by serving as a point-of-contact for multifamily building owners and managers, one-stop-shop models can improve program uptake by simplifying energy assessment for whole-buildings or individual units and by identifying the most cost-effective investments and options for low-cost financing, rebates, and incentives. This “personalized” approach to multifamily building owners has been found to be an effective strategy for achieving deeper savings in these buildings.

Examples of effective strategies for simplifying participation for building owners:

- **Southern California Gas Company** recently launched a single-point-of-contact approach for multifamily building owners. An account executive is now assigned to building owners to offer streamlined incentives. Customers remain unaware of the multiple programs that offer incentives and rebates to multifamily buildings and instead are offered a package of applicable incentives. Results for the first multifamily project under this new approach indicate sizeable energy savings – 16% gas savings in a portfolio of buildings. SoCalGas attributes the project’s success to having an account executive designated to the owner of the portfolio of multifamily buildings being retrofitted. The single-point-of-contact pulled together various incentives that were applicable to the project, including on-bill financing.³
- **Puget Sound Energy** works to engage residents through such activities as multifamily open houses, direct install of low cost measures, door hangers and brochure drop-offs that offer energy savings tips in 2 languages. The first step with interested building owners is conducting a free walk-through energy audit to identify potential energy efficiency upgrades and ensuring that owners know the full range of opportunities. This initial customer contact also provides PSE and the building owner with information about the building that PSE can use to market future program offerings and the owner can use to make investment decisions. After the building assessment, owners can choose to schedule direct install of no-cost measures including lighting (LED & CFL), low-flow fixtures, and water pipe insulation. The PSE customer representative identifies a contractor from PSE’s Contractor Alliance Network to complete the retrofit. Contractors serve as the program’s workforce and its sales force. While the contractor is on-site for the install they evaluate whether the in-unit appliances are eligible for free

³ For more information on this project see, Lukito, Mugimin and Mark Drake. 2014. “Reinventing Multifamily: A High-Touch Method of Engaging Multifamily Properties.” Paper presented at the 2014 ACEEE Summer Study on Energy Efficiency in Buildings. Available at: <https://www.aceee.org/files/proceedings/2014/data/papers/6-372.pdf>.

replacement. A key driver of the PSE's program's success has been the relationships that the company has built with both owners and contractors. In order to build relationships, and minimize the burden for owners, the program provides seamless services and a single-point-of-contact, even when internal coordination for larger projects that require a more complex process behind the scenes, such as review by PSE's engineering team.

- When designing its Multifamily Housing Program, **Public Service Electric & Gas** included no-cost Investment Grade Audits for multifamily building owners. This was intended to facilitate participation and allow building owners to understand opportunities to improve their building's operation and cash flow. Providing simpler, less costly audits was effective in reaching building owners and also saved the program money, allowing program funding to be utilized by a greater number of participants.
- **Elevate Energy's** program, **Energy Savers**, uses a single point of contact for program participants. The program contact follows projects and works with the customer all the way through the project, from the initial contact to verification and reporting of project results. This ensures that building owners always know who to contact and how to address issues that may arise.

Use case studies to highlight successful projects

Providing case studies is a tried and true method for attracting customers to programs and creating awareness of energy and cost savings opportunities from energy-efficient upgrades to multifamily buildings. To be most effective, case studies need to include characteristics that allow for comparison to other buildings and should publicize the unique benefits relevant to that particular subset of buildings. For example, an effective case study of a multifamily efficiency program might include the non-energy benefits (e.g., health-related outcomes) associated with the program in addition to the commonly reported energy savings. For multifamily programs serving a wide variety of building and ownership types, this means that program materials should include a corresponding wide variety of case studies.

Examples of providing case studies to building owners and residents:

- **NYSERDA** not only provides case studies, but offers an on-line tool that enables interested owners to create a [map of all completed projects](#) in a given area. The map shows building owners how many buildings in their market are receiving upgrades. This comparison can help building owners to think of program participation as a social norm and increase the likelihood that they will participate.
- **Efficiency Maine** provides case studies of successful projects. These profiles provide key project information, including objectives, strategies, benefits and results. Efficiency Maine also works through broader public relations to get coverage of successful projects in local news stories. Efficiency Maine's many cases studies are available [here](#).

BEST PRACTICES AND STRATEGIES FOR ENCOURAGING DEEPER SAVINGS IN INCOME-ELIGIBLE PROPERTIES BEYOND DIRECT INSTALL

Integrate Direct Installation and Rebate Programs

Multifamily program administrators are often faced with the challenge of marketing and outreach to hard-to-reach building owners to achieve higher participation and at the same time, reduce or maintain administrative costs. Direct install programs can help overcome this barrier by using the install of no-cost or low-cost measures as an entry point with building owners or managers. In this way, direct install serves a dual purpose by implementing no- or low-cost energy efficient measures as well as connecting with buildings to take advantage of incentives/rebates for upgrades that can provide deeper energy savings.

In order to best achieve additional energy saving measures in multifamily buildings, direct install programs should include an energy assessment when on-site and encourage multifamily building owners to take advantage of rebates for more extensive, whole-building improvements based on the results of the assessment. The dual approach also allows programs to address both common areas and residential units and therefore provide direct value to both building owners and tenants, getting around the issue of split incentives. It is important however that program administrators understand the various decision-makers involved in the multifamily sector – those that can approve no-cost direct install (e.g., managers) and those that must approve capital investments (e.g., owners) and how to simultaneously reach out to both parties during initial entry points. As mentioned above, where possible utilities should target building owners, especially those with a portfolio of multifamily buildings.

- **Puget Sound Energy Multifamily Retrofit Program** offers prescriptive rebates for equipment (e.g., windows, insulation, light fixtures, water heaters, furnaces, and heat pumps), some of which can be installed for free. A free onsite energy audit is required for rebate eligibility and after direct install, prequalified contractors follow-up with audit recommendations for more extensive energy efficiency measures. Often PSE will initially install measures that are attractive to owners (e.g., windows) to encourage additional measures with greater savings (e.g., insulation and air sealing). To date, PSE has reached 49% of the multifamily buildings in its territory of which 34% underwent additional energy efficiency projects, including windows with insulation, air sealing with insulation, and insulation with HVAC and the remainder were served with direct install measures.⁴
- **ComEd, Nicor Gas, North Shore Gas & Peoples Gas Multifamily Comprehensive Energy Efficiency Program** is offered by the four electric and gas utilities serving the Chicago area. The program offers energy efficiency upgrades and incentives to building managers and owners, beginning with a free energy assessment and a customized report of recommendations and eligible incentives and rebates. Following the audit, buildings owners and occupants are eligible for free energy

⁴ A presentation of PSE's Comprehensive Multifamily Retrofit Program is available [here](#).

products and installation (e.g., CFLs, showerheads, faucet aerators, programmable thermostats and pipe insulation). Lastly, they are offered discounted contractor-delivered services (e.g., lighting upgrades, exit signs, lighting controls, steam pipe insulation and boiler tune-ups) through standard and custom rebates.

While direct install can be a potential gateway to property owners and further investments in energy efficiency, program administrators should continue to think about a program that combines prescriptive rebates with performance-based custom incentives or additional pathways for deeper energy savings retrofits. Not every building owner will be ready, financially or otherwise, to take on a substantial retrofit project, and thus, effective multifamily programs will reach and build relationships with building owners that are interested in faster, less extensive projects.

Multiple pathway programs, like direct install with audits and recommendations, can achieve more intensive retrofits by starting with no- to low-cost measures and then guiding building owners or managers to pursue additional energy savings measures through proving low-cost financing options and/or strategic timing to plan more extensive upgrades within their capital improvements pipeline or when equipment fails. This is particularly true for the hard-to-reach, cash strapped low-income multifamily properties.

- **Puget Sound Energy and Energy Trust of Oregon** both offer programs that begin with an energy assessment and then provides building owners with a suite of options and the flexibility to pursue projects that best meet their current needs and capabilities. Based on ACEEE's study of utility-led multifamily programs' best practices, these two programs have the highest cumulative participation rates of eligible customers, 49% and 16% respectively.⁵
- **SMUD, DC SEU, Efficiency Vermont, and ComEd, Nicor Gas, Peoples Gas, and North Shore Gas** all offer some mix of no-cost direct install and rebates and incentives for individual measures. These offerings are intended to lead to more intensive, whole-building energy savings retrofits and equipment purchases.

Align utility incentives and affordable housing programs

State housing finance agencies increasingly encourage energy efficiency in their funding programs and incorporating utility customer funding at the time of such affordable housing refinance and redevelopment can yield deeper, more comprehensive energy efficiency improvements. These extensive renovations involve replacing outdated building systems, and utility customer funds can be used to help cover the incremental cost of installing more efficient equipment than would otherwise be required.⁶ By participating in utility multifamily

⁵ Johnson, Kate. 2013. *Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings*. American Council for an Energy-Efficient Economy. Washington, DC. Available at: <http://www.aceee.org/research-report/e13n>.

⁶ For properties financed through Low Income Housing Tax Credits (LIHTC), recapitalization windows present at approximately every 15 years.

energy efficiency programs, such projects can draw upon available program incentives and bundle them with other resources to meet critical project financial thresholds.

Therefore, a key strategic entry point for utility programs to engage with housing finance agencies around more comprehensive energy efficiency retrofits is the pipeline of projects slated by state housing finance agencies for recapitalization and rehabilitation. By partnering with HFAs, utility programs can gain access to a set of projects in development. A list of upcoming recapitalizations projects or refinancing cycles can typically be obtained through state housing finance agencies. Overall, utilities can leverage the knowledge, expertise and financial capital of these organizations to implement more comprehensive energy efficient measures to better achieve savings goals.

Examples of multifamily efficiency programs that work with housing groups to better align incentives:

- The **District of Columbia Sustainable Energy Utility** targets affordable housing developers at the point of undergoing or planning to undergo a major redevelopment or rehabilitation. DCSEU gets involved early in the project planning phase to provide technical assistance to identify energy saving opportunities as well as financial incentives to offset the incremental cost of improving the project's energy efficiency. DCSEU staff work with all project stakeholders including owners, architects, and contractors throughout the design and construction process to discover and remove barriers to improving energy efficiency while maintaining affordability. The approach allows them to offer flexible incentives that meet the needs of each project. All projects have a pay-back that makes financial sense without incentives, but the incentives help to encourage developers to invest in energy efficiency measures that deliver savings to their tenants as well as reducing their own operating costs.
- **Elevate Energy's program, Energy Savers**, has partnered extensively with the local housing community, including builders groups, housing authorities, and professional associations. Such relationships provide trusted messengers for program outreach. The program helps building owners who have completed projects share their stories via case studies, building tours, and features in publications. In addition to providing project financing, the Community Investment Corporation, a local Community Development Financial Institution (CDFI), has helped the program identify potential participants through its multifamily lending activities.
- **Public Service Electric and Gas** has partnered with the New Jersey Housing and Mortgage Finance Agency to develop a program to address the unique needs of multifamily affordable housing. The partnership with NJHMFA and their portfolio of multifamily properties also provides PSE&G with direct access to interested

building owners and projects. There are currently more than 42 projects with over 10,000 units in the program pipeline.

- **Efficiency Vermont** has maintained strong relationships with the non-profit affordable housing providers in the state. As a result of these relationships and outreach to architects and designers, virtually all the multifamily housing that has been built or renovated in Vermont by the non-profit community over the last ten years has participated in Efficiency Vermont's programs.

ADDITIONAL RESOURCES:

- National Housing Trust report on effective strategies for partnerships among utility program administrators and key affordable housing allies, [Partnering for Success: An Action Guide for Advancing Utility Energy Efficiency Funding for Multifamily Rental Housing](#)
- ACEEE report on best practices for designing and implementing successful multifamily programs, [Apartment Hunters: Programs Searching for Energy Savings in Multifamily Buildings](#).
- Elevate Energy and ACEEE report on strategies for utilities to engage with multifamily building owners to deliver energy efficiency programs, highlighting opportunities and challenges, [Engaging as Partners: Introducing Utilities to the Energy Efficiency Needs of Multifamily Buildings and Their Owners](#).