



Preservation through Smart Rehab Program

Program Overview

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Edward G. Rendell, Governor • Steven Kaplan, Chairman • Brian A. Hudson, Sr., Executive Director/CEO

www.phfa.org



Preservation through Smart Rehab

- **Goal** – to preserve the inventory and maintain its affordability for low income households by reducing energy consumption/cost
- **Eligibility** – 66 percent of units at 60% AMI
- **Key** –Energy audit identifies capital improvements & projected annual energy cost savings
- **Anticipated Funding per Project** - \$300,000 to \$750,000



Program Design

Task	PHFA	Owner
Getting Started	Training for Energy Auditors	Completes Application
Energy Audit	May provide a grant for up to one-half of cost	Owner bids audit services from three qualified firms. Owner may use project cash or Replacement Reserve to pay for audit
Scope of Work	Selects improvements having a payback period of 10 years or less and a SIR > 1.0	Provides input on scope and seeks approval from partners, Board of Directors and Mortgagee
Financing Plan	Letter of Intent may offer a blending of sources depending on financial needs of the project	Provides estimate of soft costs and prepares bid package to be used to select a General Contractor or Construction Manager
Loan Commitment and Closing	Due Diligence summary is provided with letter of intent	Agrees to terms of Grant agreement and Restrictive Covenant Agreement
Construction Period	Monitors construction and disburses funds	Informs residents of work and ensures completion within a timely manner
Post Construction	Monitors program compliance and energy consumption & assists in education programs	Development must remain affordable for five years Owners provides ongoing energy consumption data



Application Process

- Owner completes one application per project.
- Application is available at <http://www.phfa.org/developers/preservation/>
- An energy audit is completed after PHFA's review of the application and issued an inducement letter.
- Inducement letter will advise owner if a program grant is available for up to one-half of the audit cost.



Energy Audit Procurement

- Must be completed by a PHFA approved energy auditor
- List of approved auditors is on website
- Contract for audit services must be bid by a minimum of three firms currently on the approved auditor list
- Owner may use project operating or Replacement Reserve funds to pay for audit.



Energy Audit

- Analyze at least 12 months utility use
- Review drawings/specs (if available)
- Site visit
- Examine mechanical & electrical systems, building envelope, dwelling units and common areas
- Perform testing
- Model building using computer software
- Recommend energy conservation and health/safety measures



Energy Audit Report

- Recommend energy and water conservation and health/safety measures
- Provide for each measure:
 - Estimated cost
 - Projected utility savings
 - Estimated utility cost savings
 - Simple payback period
 - Life expectancy
 - Life cycle savings
 - Savings to investment ratio



Typical Improvements

- Heating/ Cooling Systems
 - Replacement of individual heating/cooling equipment
 - Replacement of central boilers and cooling towers chillers
 - Replace controls
 - Replace/modify pumps



Typical Improvements (cont'd)

- **Baseload Reduction**
 - Replace incandescent lamps with CFLs
 - Replace old fluorescent fixtures with new
 - Replace exit signs with LED type
 - Install low-flow shower heads and faucet aerators
 - Replacement of central make-up air units
- **Air Sealing**
- **Insulating**
- **Water Reduction**



Typical Improvements (cont'd)

- Health & Safety Issues
 - Flue gas backdrafting
 - Insufficient ventilation
 - Lead based paint



Energy Efficiency Improvements

- Identified in energy audit
- Must have a payback period of 10 years or less
- Present value of savings over the life of the improvement equals or exceeds the cost of improvement (a.k.a. $SIR > 1.0$)



Funding Sources

- Pennsylvania Department of Community and Economic Development – ARRA Weatherization Assistance Program Grant
- PHFA – PennHOMES Program Loan - 0% interest for 10 years repaid from excess cash flow
- MacArthur Foundation Grant
- Rural Development – PRLF Loan (Section 515 projects only) – 1% Interest for up to 25 years
- PHFA Taxable Bond Loan – Interest rate determined at closing and term of up to 10 years.
- Project Replacement Reserve or operating cash.



Program Compliance

- Owner will enter into a Indenture of Restrictive Covenants.
- Project must remain as affordable housing for five years.
- No rent increase will be permitted as a result of weatherization funded improvements for 18 months.
- Owner must provide energy consumption data for five years after improvements are made.



Program Monitoring

- PHFA to provide project oversight during construction.
- PHFA disbursing agent for program funding.
- PHFA will monitor energy usage post construction.



Additional Information

- PHFA Contacts:
 - Program Underwriting & Financing – Brian Shull
Direct 717.780.3909 or bshull@phfa.org

 - Energy Audit – Stan Salwocki
Direct 717.780.3851 or ssalwocki@phfa.org