
Summary

Through the Green Retrofit Program (GRP) HUD is making available \$250 million in grants and loans to eligible Section 8, 202, and 811 projects for the completion of green retrofits that improve the energy and water efficiency of the property, improve resident health, and benefit the environment.

Eligible Projects & Owners

- Section 202 projects receiving project-based Section 8 assistance with at least 32 units.
- Section 811 projects receiving project based Section 8 assistance with at least 8 units.
- USDA Section 515 projects receiving project-based Section 8 assistance with at least 20 units.
- All other project-based Section 8 projects with at least 72 units.
- Eligibility is limited to properties of certain sizes, as shown above. The size refers to the total units in the property, not just the subsidized units.
- Note: Project-based assistance does not include project-based vouchers. Mod rehab properties are eligible.
- Ineligible Projects: Projects with REAC scores below 60; projects in poor condition that cannot be remedied in a cost-effective manner; and projects that have already gone through M2M Green Initiative debt restructuring.
- Ineligible Owners: Owners determined to have engaged in material adverse financial or managerial actions for this or other projects, as described in MAHRA Section 516(a); owners with 2530 flags; and owners with less than satisfactory management review ratings.
- In prioritizing projects for selection, HUD will place categorical limitations on project type, geography, and owners to ensure diversity of projects.

Amount and Type of Assistance

- Grants and loans on a first come first served basis. Up to \$15,000 per unit but averaging not more than \$10,000 per unit across all projects funded by the program.
- Eligibility for Grants: All Section 202 and Section 811 projects, as well as other project-based Section 8 projects with nonprofit owners where tenants pay for lights and heat.
- Eligibility for Loans: All other eligible projects.
- Loan terms are coterminous with the first mortgage, with a minimum of 15 years, up to 35 years. Interest rates will be either 1% or the Applicable Federal Rate at the owner's request. Payments on loans are made from 50% of surplus cash. Loans will be secured by a subordinate second mortgage.

Application Process

- Applications may be submitted to HUD beginning June 15. HUD will limit the initial number of applicants that will undergo processing in order to stay within the allocated \$250 million for the program. All other applicants will be placed on a waiting list. Applicant and waiting list status will be updated weekly on the GRP web site.
- Applications include an Initial Feasibility Assessment (based on pre-existing project data), evidence of authority to enter into a new encumbrance (including consent of lien holders), project financials, program preferences, basic baseline building information, utility releases, and owner certifications and commitments. All applicants must also obtain a Data Universal Numbering System (DUNS) and Central Contractor Registry (CCR) number.
- HUD will assign eligible projects to Participating Administrative Entities (PAEs),¹ which will verify the Initial Feasibility Assessments for the project and manage the due diligence, underwriting, negotiation and closing.
- PAE will commission a GRP Physical Condition Assessment (GRPCA) to evaluate opportunities for Green Retrofits and Green Operations. The PAE will also conduct a tenant meeting to gain input.
- Following due diligence and underwriting, the PAE will recommend a Green Retrofit Plan to the owner. The owner must accept 75% of the recommendations (by cost) in order to continue in the program.

¹ PAEs are third-party contractors used by HUD in the Mark to Market program to process, underwrite and close all applications.

- After HUD approves the plan and all required environmental reviews are completed, the PAE will prepare a Green Retrofit Plan Commitment and close the grant or loan within 120 days after the project is assigned to the PAE. Closing must occur within 30 days after HUD executes the commitment.
- Rehab must begin within 60 days of closing. The rehab must be complete within 12 months, unless an extension is received from HUD. Extensions cannot go beyond 21 months.

Green Retrofit Alternatives

- The PAE will commission a GRPCA, an Energy Audit, and an Integrated Pest Management Inspection prior to proposing a Green Retrofit Plan.
- In general, replacements will be recommended if less than 15% of the useful life remains on an item. Recommendations will also take cost-effectiveness into account for items that are expected to reduce utility consumption.
- Owners must accept a minimum of 75% of the PAE's recommended green retrofit items (by cost).
- Required Green Elements – HUD is requiring all owners to consider green recommendations in the following areas:
 - Efficient products and appliances, heating and cooling systems, water heaters, and lighting.
 - Building envelope improvements such as windows, doors, and insulation.
 - Ventilation and indoor air quality improvements, including exhaust fans and low or no-VOC paints, sealants, and cabinets.
 - Other green features such as landscaping, changes to allow for integrated pest management, recycling, and hazardous waste disposal.
- Optional Green Alternatives – HUD will consider the following only if the owner indicates a willingness to consider the recommendations:
 - Combined heat and power, green/renewable energy, fuel cells, green roofs, reflective/cool roofs, flooring, siding, CFL or LED fixtures, porous pavers, retention ponds, greywater recycling.

Owner Incentives

All owners are eligible for the following incentives, including nonprofits:

- Predevelopment Incentive: Equal to 1% of retrofit costs (up to \$10k) paid at the closing to owner.
- Efficiency Incentive: Upon completion of rehab, owner is paid an incentive of 3% of costs, up to \$30k.
- Incentive Performance Fee: Ongoing incentive performance fee of 3% of revenue payable from surplus cash.
- Job Creation Incentive (Optional): Equal to 10% of any payments for labor or materials to eligible low-income and very low-income residents or business owned or staffed by eligible residents, up to \$25k.

Other Program Details

- No required owner contribution, except for projects that are partially subsidized or projects with large account balances (>\$5,000 per unit). For partially subsidized projects, the owner contribution is equal to the cost of green retrofits for all the unsubsidized (non-Section 8) units. Commitments for any financing required to fund an owner contribution is required prior to application.
- No adjustment of rents or restructuring of debt is required. However, if a Section 8 contract is expiring within 18 months of the application, the owner must accelerate the contract renewal using any Section 8 renewal option for which the owner is eligible.
- New use agreement extending affordability for 15 years beyond current affordability requirements is required. Prepayment of the GRP loan does not terminate these affordability requirements.
- The GRP pays only for the green retrofit items. If other rehab is required it will be paid from separate sources.
- Must pay Davis-Bacon wages to all contractors and employees performing green retrofit work.
- A green O&M plan is required.
- May be combined with M2M process, but must also apply competitively like all other projects.
- Quarterly reporting will be required of all recipients.

More information, including the application, information on green options, and all legal forms, can be found on the GRP website: <http://portal.hud.gov/pls/portal/url/page/recovery/programs/green>

For more information on LISC's Affordable Housing Preservation Initiative, visit <http://www.lisc.org/preservation>