

A RESOLUTION APPROVING CHANGES TO THE CARRBORO WISE ENERGY
EFFICIENCY PROGRAM

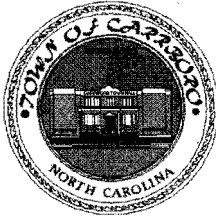
Draft Resolution No. 31/2012-13

WHEREAS, The Board of Aldermen has received an update regarding the current status of the Carrboro WISE Energy Efficiency program; and

WHEREAS, Town Staff and Carrboro WISE Program staff have made recommendations regarding changes to the program design; and

WHEREAS, the recommended changes include expanding the Carrboro WISE Program to include non-owner occupied single family housing, increasing the incentive level from \$1500 to \$2000 per project and fully funding energy assessments for properties that move forward, and reallocating the current program budget to provide additional funds for program administration and marketing.

NOW THEREFORE BE IT RESOLVED that the Board of Aldermen approves revising the WISE program design as recommended.



TOWN OF CARRBORO

NORTH CAROLINA

TRANSMITTAL PLANNING DEPARTMENT**DELIVERED VIA:** ☒ *HAND* ☐ *MAIL* ☐ *FAX* ☒ *EMAIL***To:** **David Andrews, Town Manager;
Mayor and Board of Alderman****From:** **Nora Barger, Clean Energy Solutions, Inc.
Patricia McGuire, Director of Planning
Randy Dodd, Environmental Planner****Date:** **October 16, 2012****Subject:** **WISE Program Recommendations for Rent Restrictions, Single-family Rental
Housing, Residences in Planning Jurisdiction, Subsidy Levels, and Remaining
Budget****Summary**

The purpose of this memo is to provide information about proposed programmatic changes to the Carrboro WISE (Worthwhile Investments Save Energy) energy efficiency incentive program. These changes would impact both the single-family residential and the multifamily pilot programs. The changes that have been explored are as follows:

1. Adding a rent restriction to any multifamily projects that receive WISE incentive funds.
2. Expansion of the program to accept single-family rental properties.
3. Expansion of the program to homes outside the municipal limits, in the Planning Jurisdiction of the Town.
4. An increase in the incentive level from \$1500 to \$2000 per home and fully funded energy assessments for properties that move forward to increase participation in the program. (total incentive per home would be \$2350)
5. A reallocation of the current budget to provide additional funds for program administration and marketing.

Information

The Carrboro WISE program, funded through the Southeast Energy Efficiency Alliance (SEEA) and the Department of Energy (DOE) through the Better Buildings Neighborhood Program (BBNP) has been providing incentives for energy upgrades since early 2011. In late summer of 2011 the program began offering incentives to single-family owner occupied homes and released a multifamily pilot program in February of 2012. To date the program has:

- Provided 4 commercial loans to local businesses through the Energy Efficiency revolving loan fund;
- Provided incentives for 7 single-family home energy upgrades with 2 more committed projects; and
- Provided incentives for a 19 unit multifamily complex which is now fully occupied after being almost completely vacant.

Based on the performance agreement with SEEA, the Carrboro WISE program is committed to at least 4 commercial loans and 100 units retrofitted by the end of May 2013 – the end of the grant performance agreement. The commercial loan goal has already been met. In order to successfully reach this goal, the program needs to complete around 10 single-family residential homes a month. However and maybe more importantly, Carrboro has around \$120,000 left in incentive funds for the single-family and multifamily projects. This money needs to be expended by the end of May 2013 or there is risk that it will be retracted by SEEA and DOE, regardless of the number of completed projects.

Below are the explanations of recent Clean Energy Solutions Inc. (CESI) and Town staff exploration around changes to the Carrboro WISE program as stated in the summary above.

1. **Rent restriction for WISE multifamily projects:** A separate memo documents research about rent restrictions for multifamily, program expansion to single-family rental and expansion of the program service territory and the possible implications. The memo is attached as Appendix A.

The Town Attorney has advised that, based on interpretation of statute G.S. 42-14.1 (included below), the Town is restricted from enacting a rent control condition on a dwelling that participates in the WISE program.

§ 42-14.1. Rent control. *No county or city as defined by G.S. 160A-1 may enact, maintain, or enforce any ordinance or resolution which regulates the amount of rent to be charged for privately owned, single-family or multiple unit residential or commercial rental property. This section shall not be construed as prohibiting any county or city, or any authority created by a county or city for that purpose, from: (1) Regulating in any way property belonging to that city, county, or authority; (2) Entering into agreements with private persons which regulate the amount of rent charged for subsidized rental properties; or (3) Enacting ordinances or resolutions restricting rent for properties assisted with Community Development Block Grant Funds.*

2. **Expansion of WISE program to include single-family rental:** To date the single-family residential WISE program has experienced low demand and the anticipated additional applications for multifamily projects have not yet been received. This coupled with the need to expend the grant funds by May 2013 means the expansion the WISE program to include single-family rental would facilitate increased program participation and help the program realize more projects (either single-family or multifamily) by the end of the grant performance period ultimately helping more Carrboro residents save energy and reduce their environmental impact.

3. **Expansion of the program to homes in the Planning Jurisdiction:** In recent months the WISE program has received multiple inquiries about WISE eligibility from homeowners in Planning Jurisdiction; since the Chapel Hill WISE expansion this interest has increased. Expansion of the WISE program to the Planning Jurisdiction could mean increased program participation.

The Town attorney's interpretation of statute G.S. 160A-459.1, indicates that the Town does not have the sole authority to expand the program outside of the Town corporate limits.

***G.S. 160A-459.1 (a) Purpose.** — The General Assembly finds it is in the best interest of the citizens of North Carolina to promote and encourage renewable energy and energy efficiency within the State in order to conserve energy, promote economic competitiveness, and expand employment in the State. The General Assembly also finds that a city has an integral role in furthering this purpose by promoting and encouraging renewable energy and energy efficiency within the city's territorial jurisdiction. In furtherance of this purpose, a city may establish a program to finance the purchase and installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently affixed to residential, commercial, or other real property*

The statute limits the funding of energy efficiency programs, such as WISE, to properties within the corporate limits. Counties have the same authority, and Carrboro could enter into a joint undertaking with the County to provide energy efficiency incentives, but absent such an agreement, based on the Town attorney's interpretation, the benefitted properties would have to be located within the Town.

4. **An increase in the single-family incentive level:** To date the Carrboro WISE single-family residential program has received applications from 28 homeowners and 2 have since dropped out. Out of the 26 homeowners still participating in the program, 9 have either committed or completed projects that qualify for WISE incentives. Currently Carrboro WISE has a 34% conversion rate for single-family residential (homeowners that move from energy assessment to completed energy upgrades for their homes).

At the current incentive level of up to \$1500 per home and \$150 per assessment, Carrboro WISE would need to complete over 10 projects a month for the next 8 months to successfully expend the grant funds before the end of the performance period May 31, 2013. A multifamily project(s) could apply and reduce the number of single-family projects needed to expend the funds but none of the initial interest in the multifamily incentive program has turned into completed applications.

By increasing the maximum incentive per home to \$2000, participation in the program should increase and more homes that receive assessments should move forward. Additionally, if the assessment subsidy is increased to \$350 for homes that move forward with work, the barriers to program entry are further reduced. Homeowners would

initially receive the \$150 assessment subsidy and would receive an additional \$200 upon completion of the work to refund the assessment cost.

Furthermore, by increasing the single-family project subsidy and assessment subsidy to \$2000 and \$350 (for completed projects only), the incentive is in line with Chapel Hill WISE incentive levels. Chapel Hill WISE has seen additional success in generating interest in their program through temporarily increasing the incentive level to generate a sense of urgency, increasing their marketing through increased frequency of press releases and sponsorship of WUNC for a week.

While Carrboro WISE does not have sufficient budget to spend much money on marketing, an increased incentive amount per project in conjunction with direct outreach to targeted multifamily complexes and single-family neighborhoods could increase interest and participation. Along those lines, if the incentive levels are consistent across both programs, it enables greater co-marketing and reduces the confusion of homeowners and contractors which ultimately reduces the administration time and administration cost, leaving more funds for direct incentives to homeowners.

The timing for the potential incentive increase is advantageous as Duke Energy just released an additional incentive of up to \$425 for air sealing and insulation for North Carolina customers. This incentive combined with the increased WISE incentive of \$2350 and the existing HVAC incentives means that homeowners could receive over \$3000 for their WISE qualifying project. At this level, in Chapel Hill and in other programs throughout the country, such as GCEA in Cincinnati, homeowners have participated at a greater rate, with more homeowners completing projects to ultimately save more energy.

5. **Reallocation of the budget:** Carrboro WISE started with a small administrative budget for the program of less than 10% of the total grant funds. Originally this would have been sufficient for administration of the commercial EERLF program. Since the program was launched in December 2010, WISE has expanded into single-family residential and multifamily projects without expanding the administrative budget. The WISE program must reallocate some additional funds to project administration to provide funds for the remainder of the grant period.

The table below shows reallocation of funds for continued program administration and procurement of a grassroots outreach and training partner. This would be in conjunction with the Town of Chapel Hill.

Carrboro WISE budget - scenario 2						
Account	current grant budget	funds spent/encumbered to date	current remaining funds	reallocated remaining funds	Proposed grant budget	Notes
Program Management	\$ 33,000	\$ 34,755	\$ (1,755)	\$ 20,245	\$ 55,000	average \$2530 per month; 8 months
Commercial EERLF	\$ 100,000	\$ 79,000	\$ 21,000	\$ 21,000	\$ 100,000	4 projects to date
Residential Project Subsidy (multifamily and single-family)	\$ 160,650	\$ 42,700	\$ 117,950	\$ 81,000	\$ 123,700	40@ \$2000 (total units 67 for program) OR combine the residential measure and audit subsidy for up to 70 multifamily units (97 total units for program)
Audit Subsidy	\$ 24,750	\$ 4,170	\$ 20,580	\$ 24,100	\$ 28,270	48 @ \$150; 48 @ \$350
QA/QC	\$ 12,500	\$ 425	\$ 12,075	\$ 6,005	\$ 6,430	Advanced Energy for single family
Marketing	\$ 5,000	\$ 2,500	\$ 2,500	\$ 20,000	\$ 22,500	grassroot education and training subcontractor in partnership with Town of Chapel Hill; printing materials, ads, etc.
SEEA G&A fee	\$ 7,000	\$ -	\$ 7,000	\$ 7,000	\$ 7,000	mandatory fee to SEEA for contract administration
Total	\$ 342,900	\$ 163,550	\$ 179,350	\$ 179,350	\$ 342,900	

Approximately 15-18K of the proposed 20K marketing budget would be allocated for the grassroots training and outreach partner. The project will work with local community groups, neighborhood associations, university students, and/or faith based organizations to hold workshops around low-cost/ no-cost energy efficiency measures. These workshops will be “train the trainer” type workshops to mobilize people in the community to continue to work with their neighbors and community members to train and educate people around energy efficiency and its benefits.

The reasons and the expected benefits from the grassroots training and outreach are as follows:

- Based on both Chapel Hill and Carrboro WISE experience from the past 18 months of operation, it is apparent that our early success was partly from early adopters. Homeowners that were already thinking about energy efficiency or improvement projects and/or homeowners that already understood the benefits of energy efficiency were quick to participate. It appears that there is now an education gap around energy efficiency that needs to be filled through training and outreach. The more homeowners understand what energy efficiency is and how it helps them save money and improve the comfort and health of their homes the more likely they are to participate in the WISE program.
- A focus on low to moderate income homeowners has been desired from the outset as part of the program, however this focus has proven to be difficult. With the current WISE program design and the cost-share element, it is challenging to engage low to moderate income homeowners. The grassroots training and outreach will provide simple measures that ALL homeowners may take advantage of, saving additional energy throughout Carrboro. Although the work that is envisioned for pilot outreach work will not be eligible for the retrofit incentives offered through SEEA as part of the Better Buildings

Program because of federal requirements, the expectation is that providing a deeper understanding around energy efficiency will motivate homeowners to reduce energy consumption through simple Do It Yourself (DIY) measures and behavioral changes. Ultimately this will increase the impact of the WISE program and potentially will motivate more homeowners to move forward with larger projects as they understand the benefits.

- Finally, as we continue to explore the Regional Energy Alliance, the grassroots outreach around energy efficiency and the WISE program will increase people's awareness of the program and available resources and help future efforts to establish the alliance and sustain the energy efficiency program beyond the ARRA funding period.

NOTE: The budget reallocation needs to be approved by SEEA before official changes can be made. However, due to the tight timeline of the grant and the Board of Aldermen's meeting schedule it is beneficial to have Board approval and then submit the revised budget to SEEA for final acceptance. Additionally, it will facilitate a timely decision by SEEA if the approval is already in place.

6. **Informational Update: Web Presence, and Financing Options**

The web presence of Carrboro WISE is expanding. Chapel Hill WISE has already moved the information from the Town of Chapel Hill website to www.wiseprogram.info. The website now contains the program process, the benefits of the program, information about prequalified contractors, incentives, financing and FAQ's. Upon approval from Andy Vogel, CESI is working to develop the same for Carrboro WISE. The increased information and presence will help reduce phone calls and confusion about the program and hopefully attract additional participants.

Finally, there are now two financing options for home energy upgrades that CESI staff intend to incorporate into the program services and promotion:

- a. PowerSaver Loan through SunWest:** The PowerSaver loan is a federal loan program funded through the Federal Housing Agency (FHA). The loan provides up to \$25,000 for energy efficiency upgrades. The interest rate varies but for qualified homeowners is around 6%. This loan is available to interested homeowner and is not restricted to participation in the WISE program. To make the loan more accessible, SEEA committed \$150,000 to Chapel Hill WISE for an interest rate buy down for WISE qualifying projects. Chapel Hill agreed to extend the offer for Carrboro WISE homeowners as well.
- b. Federal Home Loan Bank of Atlanta (forgivable loan):** The Federal Home Loan Bank of Atlanta (FHLB of Atlanta) currently has \$12,000 forgivable loan for homeowners that are at or below 80% of the area median income (AMI). The loan provides funds for energy upgrades and is completely forgiven if the homeowner stays in their home for at five years after the completion of the project. Harrington Bank offers this loan program locally however for homeowners to access it they must refinance their home with Harrington. There

is potential for other local banks to offer this product but to date we have been unsuccessful in engaging another institution.

Recommendation

In relation to the program changes described above, Town and CESI staff make the following recommendations:

1. **Rent restriction for WISE multifamily projects:** no action;
2. **Expansion of WISE program to include single-family rental:** expand the current single-family residential program to include single-family rental units with property owner consent;
3. **Expansion to homes in the Planning Jurisdiction:** no action;
4. **Residential incentive level:** grant CESI and Town staff flexibility for the remainder of the grant period to increase the incentive subsidy (both single-family and multifamily) as long as it will support incentives for at least 75 units;
5. **Budget reallocation:** accept the proposed budget reallocation, granting staff the flexibility to pursue Scenario 1 or 2 to provide additional administrative funds for the remainder of the grant period, and if approved by SEEA, work with a grassroots training and education partner.

Appendix A:

MEMO:

To: Matt Efird, Assistant to the Town Manager, Town of Carrboro
 Patricia McGuire, Planning Director, Town of Carrboro
 Randy Dodd, Environmental Planner, Town of Carrboro
 From: Nora Barger, Program Manager, Carrboro WISE
 Cc: Mark Kuykendall, Program Manager, Carrboro WISE
 Steve Morgan, President, Clean Energy Solutions Inc.

Date: 09/20/12

Re: Research on limiting rent increases for WISE projects and program design changes

Rent Restrictions for Multifamily: Carrboro WISE has experienced some success with the multifamily pilot, providing incentives for a 19 unit multifamily apartment complex that was mostly vacant before the renovations. After the rehab, all of the units are occupied and the tenants have indicated to the owner the benefits of the energy efficiency improvements as seen through their low monthly utility costs. The Carrboro WISE multifamily pilot has received additional initial interest from several other potential projects but has yet to receive any additional applications.

Many of the Better Buildings Neighborhood Programs (BBNP) funded through the Southeast Energy Efficiency Alliance (SEEA) and the Department of Energy (DOE), which also funds Carrboro WISE, include incentives for multifamily units. None of the programs I spoke with have limited rent increases for program participants. Some of the programs do have rent restrictions but it is only in conjunction with income requirements for eligibility. The

table below illustrates the findings from different programs across the country and includes information on both multifamily and single family rental programs:

Program	Location	Local Government VS Nonprofit program	Details
Nashville Energy Works	Nashville, Tenn	Local Government	Single family rental and multifamily with owners consent, no restrictions
SHINE	Atlanta, GA	Local Government	Multifamily, no restrictions
Huntsville WISE	Huntsville, AL	Nonprofit	Single family rental, no restrictions
Charleston WISE	Charleston, SC	Nonprofit	Single family rental, no restrictions
CBRetro	Charlotte, NC	Local Government	Multifamily, no restrictions
BE SMART Maryland	Maryland	State Government	Multifamily in certain locations that have existing rent or income restrictions or serve low income tenants
Energize Phoenix	Phoenix, Arizona	Local Government	Multifamily and incentive amount depends on the income qualifications of tenants
Berlin, Better Buildings	Berlin, New Hampshire	Local Government	Multifamily, no restrictions

Based on the research of other Better Buildings programs in the Southeast and across the country, as well as CESI's experience working with multifamily projects, we do not recommend imposing rent restrictions on the Carrboro WISE program for the following reasons:

1. **Barrier to program entry** – Due to the short timeline, the desire to help property owners save energy and have a successful program, a rent restriction is not recommended. Over the course of the Carrboro WISE program it has been challenging to generate interest in the program and motivate property owners to move forward with energy efficiency projects that meet the program standards. Adding a rent restriction to eligible multifamily projects could deter property owners from participating. The grant funds must be spent by May 2013. If there are remaining funds they will be returned to SEEA and DOE and not spent in Carrboro.
2. **Administration/ Enforcement**– At this point any multifamily project that was begun will be complete around the time of the end of the grant. The town would have to figure out a system for following up with property owner next year to ensure rent has remained unchanged. The WISE program is administered by Clean Energy Solutions Inc. and only has limited administrative funds. Additionally, these resources will be exhausted at the end of the grant in May 2013. The challenge of the administration and the enforcement of the rent restrictions, which could potentially be time consuming, will fall to Town staff.

Additionally, if a property that had received a WISE incentive for energy efficiency improvements was found to have increased the rent, how would the Town enforce the restriction? We were unable to find an example of a program that has imposed a rent restriction and do not know all the legal implications to make a recommendation for enforcement.

Expanding WISE to single-family rental housing: There are multiple reasons to expand the current Carrboro WISE program to single-family rental housing which are as follows:

1. **Potentially improve the affordability and quality of rental housing in Carrboro** – Many tenants pay their own utility bills so any improvements to save energy to the property will ultimately save them money and help keep living expenses affordable. Additionally, the energy efficiency upgrades improve the health and comfort of the home ultimately improving the quality of living. Finally, rental property owners are generally slow to invest in the rental properties except for general maintenance and then they usually look

for the low cost option. The WISE incentives help rental property owners make the decision to make improvements while making the property more energy efficient.

2. **Short grant timeline and need for additional projects** – Carrboro WISE has a goal of 100 energy efficiency projects, either single-family or multifamily units. Currently we have completed 27 projects with 73 to complete before May 2013. Expanding the program to single family rental means more potential project opportunities to help reach the goal.
3. **Keeping Carrboro WISE and Chapel Hill WISE programs aligned** - Chapel Hill WISE has recently opened the program to single-family rental and currently has a couple of rental properties participating in the program. The programs operating with similar structures means:
 - Program administration - time and cost - is kept down because there is less confusion for residents of both towns. Additionally forms and marketing collateral may be used across both programs if they have the same perimeters.
 - Contractors are able to navigate both programs and effectively sell them to the homeowners. If the programs are different the contractors get the details of each confused provide incorrect information to homeowners. Additionally, the contractors become less engaged in both programs not wanting to deal with the confusion between the programs.

Expanding the WISE program to the Planning Area of the Town - Similarly, expanding the program to the planning jurisdiction of the town increases the opportunity to reach homeowners that are interested in the participating. The Carrboro WISE program was initially limited to the corporate Town limits due to limited funds and unknown program interest. Since the release of the single-family residential program in August 2011, Carrboro WISE has completed 6 single family residential projects. In February 2012 Carrboro WISE received additional funds for single-family residential and has the ability to reach additional homeowners.

The homes located in the planning jurisdiction are served by the Town's inspections and permitting department and should have access to the same resources as homes/ properties located in the corporate limits. Finally, Chapel Hill WISE is now open to single-family homes in the ETJ. The desire is to provide the opportunity for WISE incentives to as many homes as possible. As we build toward the potential regional energy alliance, the more closely in line the Carrboro and Chapel Hill WISE programs can run the better for future sustainability and program expansion beyond the jurisdictional boundaries.