

HUD Incentives for Green Buildings



HUD offers significant incentives for multifamily properties seeking green certification and recently released a new version of their 2020 MAP Guide. The new Guide includes important information related to energy and water conservation. For Verifiers, there were two important MAP Guide revisions. First, the Green MIP rules were formally added to the Guide. Second, HUD included new rules, effective for two years, to allow newly built properties without a green certification to qualify for the Green MIP. We assume that this was to handle the overwhelming number of developers eager to earn the MIP reduction who did not avail themselves of a green certification before completing construction.

Regardless of these new rules, we hold fast to the belief that the best way to a high performing, green building is for developers to engage with a Verifier during design, or at the latest, during the early stages of construction.

Below is a summary of the noteworthy sections in the guide.

FHA MORTGAGE MINIMUM REQUIREMENTS

To qualify for FHA-insured mortgage proceeds, buildings must meet or exceed the IECC 2009 (for 3 stories and below) or ASHRAE 90.1 2007 (for 4 stories and above). Buildings pursuing NGBS Green certification fulfill these energy efficiency requirements.

GREEN MORTGAGE INSURANCE PREMIUM (MIP) REDUCTION

Buildings are eligible for a significant reduction in their mortgage insurance premium (MIP) if they meet the following requirements:

1. Earn a green building certification, such as NGBS Green;
2. Commit to benchmark building energy consumption using EPA's Portfolio Manager and maintain an ENERGY STAR score of not less than 75 (applies to 20+ unit buildings only – properties less than 20 units are exempt from this requirement);
3. Install ENERGY STAR appliances and air conditioning systems; and
4. Install WaterSense labeled products for water-consuming appliances and components (new buildings and newly built buildings only).

NEW BUILDINGS AND SUBSTANTIAL REHAB

Buildings must obtain a HUD-approved green building certification, such as the NGBS Green. EPA WaterSense labeled products must be specified for water-consuming appliances and components. Properties 20 units and above also must maintain performance after occupancy as evidenced by annual submission of energy consumption data in EPA's Portfolio Manager and an ENERGY STAR® Score of not less than 75.

Newly built properties with a green certification can qualify for the Green MIP if they meet the above requirements.

EXISTING BUILDINGS

Existing properties that are not newly built (see HUD definition below), may qualify for the Green MIP either by providing a previously earned HUD-recognized green certification (such as the NGBS Green) that was earned not more than 15 years prior to the date of the loan application or by committing to obtain a green certification after completing repairs and alterations sufficient to earn the selected green certification.

HUD recently added new rules to allow newly built properties without a green building certification to qualify for the MIP for the next two years. After the two-year period ends, buildings are expected to comply with the eligibility rules above.

For loan applications filed within two years after publication of the 2020 MAP Guide, properties that obtain the ENERGY STAR for Existing Buildings Certification will qualify for the Green MIP provided the application meets the following additional conditions:

1. Certificate of Occupancy must be issued within three years of the date of mortgage application.
2. Properties with 12 months or more of occupancy that meet ENERGY STAR for Existing Buildings Certification must deliver the certification with the loan application.
3. If a property lacks the 12 consecutive months of minimum occupancy, a Statement of Energy Design Intent (SEDI) based on the as-built drawings and specifications of the property and signed by the Project Architect may qualify provided that the owner commits to deliver the ENERGY STAR® for Existing Building Certification within three months after the 12 months of occupancy is met. Repairs or alterations are not permitted as a means of achieving a prospective certification.
4. Minimum ENERGY STAR Score required for use of the ENERGY STAR for Existing Building Certification is 90.
5. Baseline energy data will be recorded by attaching the HUD Custom SEP, or SEDI as applicable, to the Capital Needs Assessment prepared for the property.

ENERGY MODELING SOFTWARE

For three stories and below, the guide allows RESNET approved software to be used. For four stories or greater, the ASHRAE 90.1 Appendix G must be used.

HUD DEFINITIONS

New Construction: refers to Proposed Construction, Properties Under Construction, and Properties Existing Less than One Year as defined below:

- *Proposed Construction* refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
- *Under Construction* refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- *Existing Less than One Year* refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.

Note: FHA treats the sale of an *occupied* Property that has been completed less than one year from the issuance of the CO or equivalent as an existing Property.

Newly Built Projects: Certificates of Occupancy issued less than three years prior to application.