

Memorandum

DATE: **May 10, 2018**

REPLY TO

ATTN OF: **James Carlisle, Operations Supervisor** *JCC*
Weatherization and Intergovernmental Program Office

SUBJECT: **Weatherization Leveraging**

TO: **Weatherization Assistance Program (WAP) Network**

This Memorandum serves to update and clarify information contained in Weatherization Program Notice (WPN) 16-5, Weatherization Assistance Program Multifamily Weatherization, effective date May 5, 2016, and how leveraged funds and buy down funds are treated in operating a local program.

In recent years, the Department of Energy (DOE) has increased the focus on leveraging activities and specifically, since 2010, allowed a provision to include buy downs for multifamily weatherization in the Program. This provision creates flexibility for programs to install measures that save energy but don't achieve the necessary Savings-to-Investment Ratio (SIR) by allowing the agencies to secure funding to apply to the cost of the measure, bringing down the cost of the measure to meet the SIR requirement.

Definitions:

- **Buy Down** – aligns with a private interest and the funding source retains the decision-making authority in identifying the building being selected for installation of the measure(s).
- **Leverage** – aligns with the intention of supplementing the weatherization resources and the funding source does not identify specific buildings for the investment. For the purpose of WAP, funds that are considered “leveraged” indicates the funding source has transferred decision-making authority to the WAP agency to determine which buildings will receive the measure(s).

Buy Down Clarifications:

- 1) **Buy down is only available in multifamily dwellings (including small buildings with 2-4 units) because a contribution is required for a buy down to occur.** The statutory change in 1990 to allow for requiring contributions from landlords was only discussed in the context of multifamily buildings. Therefore, since the Statute did not address allowing Grantees to require financial participation from owners of single family rental units (or owner occupied non-rental units), DOE does not allow contributions from single family rental owners (including owner-occupied non-rental units) (*58 FR 41, page 1216*). In order for measures to qualify for the buy down, the package of measures, including the full cost (the pre-buy down cost) of the measure which is to be bought down, must have an $SIR \geq 1.0$, and the process outlined in WPN 16-5¹ must be followed.
 - a. In the event there is a duplex where both units are renter-occupied, measures in both units are eligible for buy down if the package of measures at the pre-buy down cost has an $SIR \geq 1.0$.

¹ WPN 16-5 is available here: <https://www.energy.gov/eere/wipo/downloads/wpn-16-5-multifamily-weatherization>

- b. If the duplex has one side that is renter-occupied and the other side is owner-occupied, only the renter-occupied side of the building is eligible for the buy down. The building owner would not be able to fund any measures to be installed in the owner-occupied unit. The owner must contract for those measures independent of WAP.

2) Landlord Contributions – DOE has not historically identified landlord contributions as leveraged funds because the funds have traditionally been attributed to the landlord’s scope of work/building. DOE recognizes each agreement is different but, as a guiding principle, if the landlord agreement includes the installation of measures that do not have an $SIR \geq 1.0$, then the landlord contributions would follow the auditing process identified in WPN 16-5. As a reminder, in order for a measure to qualify for the buy down, the package of measures, including the full cost (the pre-buy down cost) of the measure which is to be bought down, must have an $SIR \geq 1.0$.

- a. In the event contributions are made by a landlord that exceeds the agreement and there is no stipulation the funds be expended on a specific building(s), then those funds would be considered *leveraged* funds and could follow the modified auditing approach below.

Leveraging Clarifications:

Leveraged resources, as interpreted by WAP are not designated for use in a specific residence. Rather, the funding source aims to achieve a certain objective and allows the receiving (WAP) agency to determine the individual recipient(s) of the measure(s) and it is the responsibility of the receiving agency to ensure the funding use aligns with the funding source’s purpose (e.g., funds designated to purchase high efficiency furnaces; funds designated to purchase solar units at a discounted price to benefit low-income households; funds designated by a utility for measures but must be applied within the utility service area; etc.). Three important points:

- 1. Eligibility:** Leveraged funds and measures may be applied to single family dwellings as well as multifamily buildings. (Unlike buy down options which may only be applied to multifamily buildings.)
- 2. Environmental Credits/Attributes:** In instances where it is requested by the contributing party, DOE will allow the Grantee to yield DOE’s share of environmental credits/attributes to the utility and/or funding source.
- 3. Modified Auditing Procedures:** If funds are *leveraged* and the funding source does not identify specific buildings but transfers decision-making authority to the agency to determine which buildings will receive the measure(s), DOE will allow agencies to simplify the auditing process and run the audit once with the leveraged cost included. In instances where the funds are being used to reduce the cost of a measure to meet the programs SIR requirement (e.g., furnaces or solar systems), agencies may enter the “discounted” cost for the measure into the audit tool (as if they were purchasing the item “on sale”), and document the discounted costs and funding sources in the file.
 - a. This approach is appropriate only in cases where the measure being “discounted” remains the last measure in the package of measures being installed. Any instances wherein the measure isn’t last on the list, the audit should be reviewed on a case-by-case basis by the Grantee prior to implementation.
 - i. In the examples of high efficiency furnaces or solar units being made available at a discounted price to WAP, agencies would enter the actual cost incurred by WAP into the audit tool, not the full cost as required with a buy down.

Please contact your DOE Project Officer if you have any questions related to this memo.