

# Climate Ready Housing Program Notice of Funding Availability (NOFA) 2023

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**Available as separate downloadable documents:**

Application (**Word**)

Incremental Cost Documentation Spreadsheet (**Excel**)

## 1. INTRODUCTION

### 1.1 CLIMATE READY HOUSING PROGRAM

The Climate Ready Housing Program is a state-funded bond program, available for non-profit, for-profit, and public housing sponsors, to accelerate and support the creation and preservation of sustainable and climate resilient affordable multifamily housing; specifically through the following measures:

- (i) Implement efficient and sustainable design practices in affordable residential development/preservation projects to mitigate climate change by reducing reliance on fossil fuels and greenhouse gas emissions;
- (ii) Increase the ability of multifamily housing developments to adapt to the impacts of climate change, including flooding and extreme temperatures; and
- (iii) Enhance emergency preparedness, including resilient on site means of power generation to allow for sheltering vulnerable populations in place.

This program aims to identify what is possible to achieve in terms of low-carbon, climate-ready new construction and renovations that achieve deep reductions in energy use and carbon emissions for typical Massachusetts multifamily affordable housing. It strives to support promising practices, analyze strategies/opportunities for cost compression, and identify and assist in providing the required incremental funding. This round of program funding will focus solely on supporting Deep Energy Retrofit (hereafter DER) projects and existing projects exemplifying scope that strategizes for zero carbon emissions over time (hereafter ZOT). Future rounds may support DER, ZOT, and high-performance, low-carbon new construction projects. DER and ZOT are defined as follows:

Deep Energy Retrofit (DER) – This approach assumes a comprehensive scope of work that includes extensive improvements to the building envelope that significantly reduce heating energy load (by at least 50%) and carbon emissions.<sup>1,2</sup> The building envelope work is leveraged to allow for cost-effective electrification of the building’s HVAC system. Improvements in ventilation to achieve appropriate indoor air quality are required. If domestic hot water electrification is not included in the rehabilitation project, the team should provide a schedule for the planned transition of that system to an electrified fuel source. Renewable energy systems are maximized and integrated into the project’s capital approach.

Zero Carbon Emissions Over Time (ZOT) – This approach assumes a less significant intervention in the upcoming rehabilitation project than is represented in the DER approach outlined above but reflects thoughtful planning on the part of the project team to capture the pending rehabilitation project as an important piece of a long-term plan to achieve zero carbon emissions by 2050. Careful attention should be paid to how the short-term improvements proposed as part of the rehabilitation project will set the project up for the additional improvements scheduled over time between now and 2050 to achieve the desired emissions and comfort/indoor air quality outcomes. Reasonable sources of funding for implementation of those long-term measures, including replacement reserves for End of Useful Life (EUL), should be detailed, and teams should

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<sup>1</sup> Deep Energy Retrofits & State Applications, U.S. Office of Energy Efficiency & Renewable Energy, 2014. <https://www.energy.gov/eere/slsc/downloads/deep-energy-retrofits-state-applications>. Accessed March 2022.

<sup>2</sup> “The Retrofit Depot”, RMI, 2018. <https://www.rmi.org/our-work/buildings/deep-retrofit-tools-resources/deep-retrofit-case-studies/>. Accessed March 2022.

specifically indicate how they will maintain affordability of utility costs (including tenant costs) within the context of planned electrification of their HVAC systems.

Typical renovations of existing buildings often result in 15-20% energy savings. In comparison, DERs offer a dramatic improvement in energy savings (50%+)—they can eliminate fossil fuels from buildings altogether while also improving occupant health, increasing resiliency, and utilizing low-embodied carbon materials. ZOT provides a roadmap for achieving similar energy reductions, allowing for an incremental approach for capital work. Although every project is different, deep energy savings are often achieved by utilizing 1) substantial building envelope improvements, thus reducing heating and cooling demands; and 2) all-electric, high-performance mechanical systems, which provide heating, cooling, fresh air ventilation, and potentially water heating. Ideally, retrofit systems are being designed to require a minimal amount of interior work, minimizing the impacts to building residents during construction.

The ultimate goal of the Climate Ready Housing Program is to support projects that dramatically reduce carbon emissions. We seek to transform affordable housing to be super energy efficient, all-electric, powered by clean renewable energy, and renovated with low-embodied carbon materials. Such work prioritizes the health of residents through better ventilation and the removal of combustion appliances; reduces long-term operating costs; ensures building durability; improves resiliency; and positions affordable housing to comply with new carbon regulations that are already in place or anticipated in the future.

## 1.2 PURPOSE OF THE NOFA

The purpose of this NOFA is to seek applications for funding for affordable multifamily housing projects employing DER or ZOT techniques. Projects must demonstrate a substantial reduction in energy consumption and carbon emissions and intent to eliminate fossil fuels from buildings altogether. This NOFA describes the award uses, eligibility requirements, application process, and disbursement process for awards.

## 1.3 PROGRAM ADMINISTRATION

MassHousing and Massachusetts Housing Partnership (“MH/MHP”), as named in the Commonwealth’s Economic Development Bond Bill (H5250 passed on January 6, 2021), will administer the program on behalf of the Massachusetts Department of Housing and Community Development (DHCD). MH/MHP have engaged with Local Initiatives Support Corporation (LISC) Boston to further assist with program administration.

# 2. AWARDS FOR PROJECTS

## 2.1 AWARD LEVELS AND BUDGET DETAILS

MH/MHP have approximately \$1.6 million available for this round of awards under the Climate Ready Housing Program. Submissions will be competitively evaluated, and awards will be made to highly rated projects until funds are fully exhausted. MH/MHP anticipate supporting two or three projects in this round of this program.

Program funds may support the following uses:

- Unfinanced incremental costs attributable to the DER or ZOT solution.
- Additional reimbursable costs may include DER or ZOT analysis, integrated design meetings, and climate resiliency assessment.

## 2.2 MINIMUM ELIGIBILITY REQUIREMENTS

Financial assistance shall be made available on a competitive basis to the following eligible applicants, in no particular order:

- Community development corporations,
- Local housing authorities,
- Community action agencies,
- Community-based or neighborhood-based non-profit housing organizations,
- Other non-profit organizations, and
- For-profit entities.

Funds may be used to assist units occupied by and affordable to persons with incomes not more than 110% of the area median income as defined by HUD, with priority given to projects that provide higher and deeper levels of affordability; provided further, that not less than 25% of the occupants of housing in projects assisted by this program shall be persons whose income is not more than 60% of the area median income as defined by HUD.

We are targeting site Energy Use Intensity (EUI) of 30-35 kBtu/SF/year or below and an air tightness maximum of 0.12 CFM50/SF (whole building metric).<sup>3</sup>

The DER design solution or the ZOT implementation plan must include the following:

- Substantial envelope improvements to minimize heating and cooling demands;
- Heat pump-based technology for space heating and cooling;
- Energy or heat recovery ventilation technology;
- Plan for electrification of domestic hot water systems (strongly encouraged);
- Plan for electrification of cooking appliances;
- Maximization of renewable energy systems and integration into project's capital approach; and
- Serious consideration of material decisions related to embodied carbon.

Applicants will be encouraged to consider project and site appropriate climate-resilient related upgrades such as elevating critical equipment and the creation of community room(s)/other critical facilities with island-able power (via battery storage) to ensure electricity for critical building loads, device charging, refrigeration of critical medications and other supplies, and/or emergency-level heating and cooling.

Ideal DER candidate building(s) are those already scheduled for a major rehab with scope of work that includes mechanicals, siding, roofs, and/or windows, and well-advanced in the development process.

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<sup>3</sup> What is Energy Use Intensity (EUI)? U.S. Environmental Protection Agency and U.S. Department of Energy, 2022. [https://www.energystar.gov/buildings/benchmark/understand\\_metrics/what\\_eui](https://www.energystar.gov/buildings/benchmark/understand_metrics/what_eui). Accessed March 2022.

Ideal ZOT candidate building(s) are those projects that might be currently focused on one or two major energy related upgrades, but has a strategic plan for integration of the remainder of their zero carbon emissions over time plan.

Applicants are expected to maximize all available deep energy retrofit funding sources and exhibit all other sources committed or being pursued.

### 2.3 AWARD TERMS AND REQUIREMENTS

Awards will typically be provided in the form of a 30-year deferred payment loan at 0% interest. DHCD reserves the right to structure the loan with an interest rate acceptable to DHCD set at the time of closing. All Climate Ready Housing Program loans will be non-recourse and secured by a mortgage on the property.

Additional requirements will apply to the execution and completion of funded projects and will be documented in a MassDocs Loan Agreement. These requirements will include the following, as applicable:

- All projects must perform in compliance with local, state, and federal laws and codes.
- Projects must track energy usage of the completed project for a minimum of three years through a service such as Portfolio Manager, WegoWise, or EnergyScoreCards and make that information available to MH/MHP. This may require the borrower to have a lease requirement with tenants to access energy usage information directly from utility companies.
- Borrower will submit detailed energy budgets to compare against actual energy usage as documented during the three years of energy benchmarking.

### 2.4 MILESTONES AND AWARD DISBURSEMENT PROCESS

Funding will be documented through a MassDocs loan agreement. Funding may be paid out in installments upon achievement of significant milestones, as specified in the loan agreement. Disbursement is contingent upon submission to MH/MHP of all the deliverables required for the associated milestone. The deliverables are subject to MH/MHP review and approval. Electronic submissions are required.

Generally, funding will be awarded upon completion of the following milestones/deliverables:

1. Upon construction closing

Awardees will be required to submit evidence of envelope performance evaluation.

Applicants may request a different schedule that better fits the development of their project if accompanied by a justification. MH/MHP reserve the right to include a different schedule in any Loan Agreement.

## 3. APPLICATIONS

### 3.1 PRE-APPLICATION

Those considering applying for the Climate Ready Housing Program are required to submit a short pre-application before submitting a full application for funding. The purpose of the pre-application is to ensure that proposed projects meet the minimum eligibility criteria as defined in Section 2.2 of this NOFA and to provide notice to MH/MHP of likely applications. Only projects approved by MH/MHP at pre-application may proceed with the submission of a full application. MH/MHP anticipate providing feedback to sponsors on their pre-applications within three weeks following pre-application deadline.

Please fill out pre-application here: <https://forms.gle/dJ1GJjaZ9Jzf2RsPA>

### 3.2 APPLICATION AND SUBMISSION INSTRUCTIONS

See Climate Ready Housing Program web page ([www.lisc.org/climatereadyhousing](http://www.lisc.org/climatereadyhousing)) for full application forms. Applications must be clearly labeled with Project Sponsor Name (“[Project Sponsor Name] – Climate Ready Housing Application”) and submitted to the link emailed to approved pre-applicants.

### 3.3 APPLICATION TIMEFRAME AND EVALUATION PROCESS

A funding competition will be held in 2023 according to the following schedule:

|                         |  |
|-------------------------|--|
| Monday, March 6, 2023:  | Pre-application opens                                |
| Friday, March 31, 2023: | Pre-application deadline                             |
| Monday, April 24, 2023: | Application opens (for pre-approved applicants only) |
| Friday, May 19, 2023:   | Application deadline                                 |
| Summer 2023:            | Funding decision                                     |

MH/MHP may 1) award a project after initial review, 2) reject an application outright, or 3) defer a final decision until a later date after further submissions have been received. MH/MHP staff may request supplemental information prior to formal review. MH/MHP may also request an interview with Applicants. A panel of external reviewers will be consulted for recommendations or specific questions.

### 3.4 APPLICANTS’ QUESTIONS AND ANSWERS

Questions concerning this NOFA should be submitted **in writing by email** to the contact listed below. All inquiries should reference the “Climate Ready Housing Program”. MH/MHP will provide a list of generally-applicable questions and answers in the Frequently Asked Questions (“FAQ”) section of the Climate Ready Housing Program web page ([www.lisc.org/climatereadyhousing](http://www.lisc.org/climatereadyhousing)). This list will be periodically updated. Applicants are encouraged to visit the website for updates prior to submitting a question. Only answers posted on the website should be treated as the official response to any question. The contact for questions is:

Emily Jones  
[ejones@lisc.org](mailto:ejones@lisc.org)

## 4. SELECTION CRITERIA

Applications will be evaluated using the criteria below. These criteria will be used to identify proposed projects that meet minimum threshold criteria, demonstrate a relatively high probability of success, and reflect a high-quality project. MH/MHP reserve the right to only consider complete applications that, in their sole judgment, meet the minimum eligibility criteria as provided in Section 2.2 of this NOFA and for which a pre-application was approved. Please reference the application materials for further detail on each of the selection criteria below:

- **Experience of Team (including Sponsor, Architect, General Contractor) with Building Decarbonization, Electrification, Renewable Energy, and Climate Readiness**
- **Commitment to Diversity & Inclusion**
- **Commitment to Building Decarbonization** (rigor and building science validity of the design approach including emphasis on envelope improvements, all-electric systems, renewable energy integration, resiliency, and innovation, energy use intensity reduction, carbon emissions reduction, and consideration of embodied carbon)
- **Commitment to Health and Resiliency** (including affordability; indoor air quality, balanced ventilation, and no in-unit combustion appliances; durability and climate readiness)
- **Cost Reasonableness and Leveraging**

Additionally, projects shall be awarded in a manner that promotes geographic, social, racial, and economic equity.

## 5. GENERAL CONDITIONS

### 5.1 NOTICE OF PUBLIC DISCLOSURE

As public entities, MH/MHP are subject to Massachusetts' Public Records Law, codified at Chapter 66 of the Massachusetts General Laws. Thus, any documentary material, data, or other information received by MH/MHP from an applicant is a public record subject to disclosure. Applicants shall not send MH/MHP any confidential or sensitive information in response to this NOFA.

### 5.2 DISCLAIMER AND WAIVER AUTHORITY

This NOFA does not commit MH/MHP to award any funds, pay any costs incurred in preparing an application, or procure or contract for services or supplies. MH/MHP reserve the right to accept or reject any or all applications received, waive minor irregularities in submittal requirements, modify the anticipated timeline, request modification of the application, negotiate with all qualified Applicants, cancel or modify the NOFA in part or in its entirety, or change the application guidelines, when it is in its best interests.

This NOFA has been distributed electronically on the Climate Ready Housing Program web page ([www.lisc.org/climatereadyhousing](http://www.lisc.org/climatereadyhousing)). It is the responsibility of Applicants to check the website for any addenda or modifications to the NOFA to which they intend to respond. MH/MHP accept no liability and will provide no accommodation to Applicants who submit an application based on an out-of-date NOFA document.