

GREEN APARTMENT FINANCE

Energy efficiency and water conservation improvements make operational and investment sense for the apartment industry. Lenders and investors are just beginning to focus in this area requiring lending programs and investment vehicles tailored to meet the growing need.

Apartments by their basic density and design, are inherently energy efficient. According to the U.S. Energy Information Agency, apartment households use 55 percent less energy on a per-household basis than their single-family counterparts.

NMHC/NAA Viewpoint

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Apartment owners willing to upgrade their properties struggle to find financing. They can self-fund, borrow from a lender or use a specialty financing for energy retrofits. Owners also have to decide how far to take upgrades, a decision sometimes driven by investors who want to secure one of the many building energy certifications available.

THE U.S. COULD SAVE \$9 BILLION IN ENERGY COSTS BY IMPROVING ENERGY EFFICIENCY IN APARTMENTS.

NMHC and NAA work to ensure that sufficient financing mechanisms are available to support the depth of the retrofits owners want to take regardless of property age or building certification. Listed below are some of the resources and financing options available to multifamily owners:

- **GSE Green Finance.** Fannie Mae and Freddie Mac each offer financing programs to improve building energy and water performance.
- **FHA Green/Energy Efficient Loans.** FHA offers a lower cost borrowing option for owners who improve energy and water efficiency.
- **Green Banks** are public finance authorities that use limited public dollars to leverage greater private investment in clean energy.
- **Property Assessed Clean Energy Loans (PACE)** pay for 100 percent of building energy efficiency upgrades or renewable energy installations and are repaid with an assessment to the property's tax bill.
- **On-Bill Financing.** A mechanism where a utility provides a loan to retrofit a property that is repaid through a monthly assessment on the buildings occupants.
- **Energy Performance Contracting.** A financing option that uses the savings generated from an energy efficiency retrofit to repay a loan or lease on the retrofit.
- **Green Leases.** Leases that align the financial and energy incentives of building owners and tenants so they can work together to ensure the efficient operation of buildings.