

## TRANSMITTAL

To:

**THE COUNCIL**

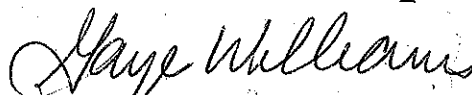
Date:

JAN 03 2011

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

  
ANTONIO R. VILLARAIGOSA  
Mayor



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Antonio R. Villaraigosa, Mayor  
Douglas Guthrie, General Manager

December 22, 2010

Council File: C.F. 09-2841  
Council District: City-wide  
Contact Persons: Krista Kline / 213-808-8931  
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Honorable Antonio R. Villaraigosa  
Mayor, City of Los Angeles  
Room 303, City Hall  
202 North Spring Street  
Los Angeles, CA 90012

Attention: Pamela Finley, Legislative Coordinator

**REQUEST FOR AUTHORITY TO ENTER INTO LOAN AGREEMENTS FOR TOP RANKED FIFTEEN APPLICANTS FOR BUILDING RETROFIT WORK IN RESPONSE TO THE 2010 ROUND 3 NOTICE OF FUNDING AVAILABILITY (NOFA)- ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG).**

**SUMMARY:**

The General Manager of the Los Angeles Housing Department (LAHD) requests Mayoral and Council authority to execute loan agreements with the selected applicants in the amounts listed in Table 1 below under Round 3 of the 2010 NOFA – Energy Efficiency and Conservation Block Grant. The total contract funding will not exceed \$3,932,348. Per the requirements of American Recovery and Reinvestment Act (ARRA) Funds, half of the EECBG funds must be expended by June 30, 2011. The LAHD is also requesting to report back to the Mayor and Council in January 2011 on options to expend the balance of the EECBG Multifamily Retrofit Program funds.

**EECBG, 2010 Round 3 NOFA**

The authority to accept applications for the Draft 2010 Round 3 NOFA was granted on October 6, 2010 via Amended Special Motion- 43A (C.F. #09-2841).

The LAHD evaluated the proposals and ranked them in order of responsiveness to the Request for Proposals (RFP). The top 15 projects, out of a total of 20 applications, underwent energy audits to confirm a minimum 20% improvement in energy efficiency with a retrofit work program capped at \$500,000 including soft costs. The audits were spot-checked by a third party auditor hired by Enterprise Community Partners. Each project applicant was asked to submit a standard matrix of energy audit recommendations summary table, with a ranking of the most effective set of measures to achieve a 20% efficiency improvement, followed by a ranking of additional measures to improve efficiency beyond 20% ranked by BTUs (British Thermal Units) saved per \$1,000 invested. The LAHD used these matrices to determine final work programs and budgets.

The LAHD will enter into loan agreements with the top performing applicants, listed in Table 1, in the amounts listed under the Budget column for their retrofit work programs developed through each of their energy audits. The audits have demonstrated expected energy improvements, outlined a recommended retrofit work program, and showed estimated construction costs (including soft costs) for each proposed project. The construction costs were reviewed and verified by LAHD staff. The budgets include a 15% construction contingency to be used by the developer in case of cost-overruns occurring during the retrofit work.

The retrofit work at these buildings will impact a total of 1005 residential units. These units are a mix of single studio to 3-bedroom family residences. Eight (8) of the buildings are individually metered for electricity; therefore, those tenants will likely benefit from lower monthly utility bills in addition to the higher level of personal comfort that all of the tenants will experience after the retrofit work has been completed.

**TABLE 1 – EECBG SELECTED PROJECTS TO RECEIVE FUNDING FOR ENERGY RETROFITS**

	Project Name	Type	Units	C.D.	Budget
1	The Young Apartments	SRO	66	9	\$366,936
2	Step Up On Vine	Homeless and Mentally Disabled	32	4	\$334,951
3	Las Palomas Hotel	SRO	62	14	\$285,614
4	Mission Plaza Apartments	Multi-Family	132	1	\$500,000
5	Asbury Apartments	Mixed	97	1	\$500,000
6	Bryson Apartments	Family	81	1	\$240,127
7	Greenview Apartments	Family	48	1	\$84,745
8	San Pedro Firm Building	Family	42	9	\$167,051
9	Klump Apartments	SRO	26	4	\$112,327
10	Vineland Place	Family	18	6	\$264,368
11	Casa Heiwa	Family	100	9	\$250,620
12	Lincoln Place	Family	91	11	\$222,657
13	Angelina Apartments	Family	82	1	\$293,971
14	St. James	Family	70	1	\$87,765
15	Las Americas Hotel	SRO	58	14	\$221,216
<b>TOTAL</b>			<b>1005</b>		<b>\$3,932,348</b>

## **RECOMMENDATIONS:**

The General Manager of LAHD respectfully requests that:

1. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council Committee(s) and schedule for consideration of the full City Council immediately thereafter.
2. The City Council:
  - A. Authorize LAHD General Manager, or designee, to execute permanent loan agreements with the top-ranked EECBG Applicants, for loan amounts not to exceed the budgets listed in Table 1 above, including all soft costs and construction contingencies related to the retrofit construction work program.
  - B. Authorize the City Controller to:
    - i. Allocate and expend funds for the selected EECBG projects within ARRA-EECBG, Fund No. 52P, Department 43 as follows:

Account No.	Account Name	Amount
G818	EECBG/Multifamily Housing Retr	\$3,932,348
  - C. Instruct the LAHD report back to the Mayor and Council on options to expend the balance of the EECBG ARRA Multifamily Retrofit Program funds totaling \$707,959 in January 2011.
  - D. Authorize the LAHD General Manager or designee to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement these instructions.
3. That the Mayor concurs with the action of the City Council.

## **BACKGROUND:**

### **EECBG Process for Release of NOFA**

On October 6, 2010, the Council approved the 2010 Round 3 NOFA- EECBG and authorized the General Manager to accept applications under this Request for Proposals for the 2010 Round 3 NOFA EECBG on October 18, 2010.

On October 6, 2010, the LAHD released the 2010 Round 3 NOFA- EECBG, with an application deadline of October 18, 2010. The LAHD notified the development community via e-mail to a list of more than 100 interested parties. In addition, the LAHD posted the program guidelines, application and attachments on the LAHD internet site and requested that the Southern California Association of Non-profit Housing (SCANPH) post an announcement on their website.

Prior to the release of the NOFA, on September 15, 2010, the LAHD hosted a public outreach meeting which was attended by over 75 stakeholders, and received input and recommendations for the NOFA priorities and process. An additional Pre-Bidders conference was held specifically for the EECBG program on October 15, 2010.

## EECBG Selection Process

The LAHD worked in partnership with Enterprise Community Partners (“Enterprise”) to rank the applicants. The ranking tool utilized was developed by Enterprise in partnership with Heschong Mahone Group and used data collected from the building information questionnaire (part of the NOFA application).

In order to measure each applicant’s potential for improving their building’s energy efficiency, the ranking model looked at 11 areas for energy efficiency improvements in 4 categories:

1. Building Envelope [Category]
  - a. Wall insulation [Area]
  - b. Roof insulation [Area]
  - c. Window replacement [Area]
  
2. HVAC systems [Category]
  - a. Replacement of heating system [Area]
  - b. Replacement of AC equipment [Area]
  - c. Duct sealing [Area]
  
3. DHW (domestic hot water) [Category]
  - a. Replacement of water heating system [Area]
  - b. DHW recirculation pump controls [Area]
  - c. Solar DHW [Area]
  
4. Lighting [Category]
  - a. Dwelling unit hardwired CFL upgrade [Area]
  - b. Common area hardwired CFL upgrade [Area]

The LAHD assigned a numerical value to these criteria to rank the applicant buildings using the formula described below. The numbers are used for relative comparison purposes only and are not be associated with specific levels of potential energy efficiency improvements.

Applicant buildings received one point for each of the energy efficiency improvement areas where there is a recommended improvement. Whether or not an improvement area was recommended was based on the age and type of system. For example, a building would receive a point in the Building Envelope Category if it could change out its existing single-paned windows for more energy efficient double-paned windows.

Next, the applicant buildings were ranked under the following priority:

1. number of categories containing energy efficiency improvement recommendations
2. total number of energy efficiency improvement areas
3. total number of units

Numerically: [# of categories] + [# of improvement areas/10] + [# of units/100,000]

For example, a 250-unit applicant building with 8 improvement opportunities in 4 categories would be ranked as follows:

$$4 + 8/10 + 250/100,000 = 4.8025.$$

The highest possible score is  $5.1 + [\# \text{ of units}/100,000]$  and would be an applicant building with recommendations in all 11 improvement areas in all 4 categories:

$$4 + 11/10 + \text{units}/100,000.$$

The number of improvement categories was favored over the number of improvement areas to allow for a more holistic building retrofit, which would likely yield better overall energy efficiency gains.

The number of units was used as a tie-breaker because, given the same level of projected efficiency opportunity, it would be best to serve the greatest number of units.

**TABLE 2 – RANKED EECBG APPLICATIONS**

	Project Name	Units	C.D.	EECBG Point Ranking
1	Young Apartments	66	9	5.10066
2	Step Up on Vine	32	4	5.00032
3	Las Palomas Hotel	62	14	4.90062
4	Mission Plaza Apartments	132	1	4.80132
5	Asbury Apartments	97	1	4.80097
6	Bryson Apartments	81	1	4.80081
7	Greenview Apartments	48	1	4.80048
8	San Pedro Firm Building	42	9	4.80042
9	Klump SRO	26	4	4.80026
10	Vineland Place	18	6	4.80018
11	Casa Heiwa Apartments	100	9	4.70100
12	Lincoln Place	91	11	4.70091
13	Angelina Apartments	82	1	4.60082
14	St James	70	1	4.60070
15	Las Americas Hotel	58	14	4.50058
16	Nuevo Pico Union Apartments	16	1,9	4.50016
17	235 Berendo	24	13	3.70024
18	Sanborn Hotel	46	9	3.60046
19	Simone Hotel	115	9	3.50115
20	Michael's Village	32	4	2.50032

**Energy Audit Requirements**

The top 15 applications listed in Table 1 were ranked according to the scoring criteria as stated in the "EECBG Selection Process" section above. Each of the top 15 ranked applications underwent an energy audit on their respective buildings. The remaining 5 applications (those with the lowest comparative scores) did not continue to be in the selection process, thus they were not required to obtain an energy audit.

Enterprise Community Partners provided grants to pay for thirteen (13) of the energy audits. The two (2) remaining audits were paid for by the City using EECBG-ARRA funds from the Multifamily Retrofit Program.

The energy audit results demonstrated expected energy improvements, outlined a recommended retrofit work program, and showed construction costs (including soft costs) for each proposed project. After the audits were completed, the LAHD had a sampling of them reviewed by a third party auditor, provided by Enterprise Community Partners. When anomalies were found, the LAHD asked the applicant to verify outcomes and/or explain the methodology in reaching those numbers.

In addition, the LAHD asked that every applicant submit a standard matrix (Table 3) showing a ranking of the most effective set of measures to achieve a 20% efficiency improvement (set 1), followed by a ranking of additional measures to improve efficiency beyond 20% ranked by BTUs saved per \$1,000 invested (set 2). The LAHD used these matrices to determine final work programs and budget awards.

First, the LAHD staff approved all of the work program measures to achieve a 20% efficiency improvement for each project. Then, the LAHD staff approved the additional measures to improve efficiency beyond 20% ranked by BTUs saved per \$1,000 invested from most cost efficient to least cost efficient until the balance of the EECBG funds was expended. The recommended budget awards listed in Table 1 reflect the cost of the work program measures in set 1, added to the cost of the additional approved work program measures in set 2 for each project.

TABLE 3 – EXAMPLE ENERGY AUDIT RECOMMENDATIONS SUMMARY TABLE

ECM	ECM Description	Measure Installed Cost (\$)	Cumulative Installed Cost (\$)	Annual Cost Savings (\$)	Cumulative Annual Cost Savings (\$)	Individual Measure Simple Payback (Yrs.)	Measure Annual Energy Savings		Cumulative Interactive Effect Annual Energy Savings % of Baseline	BTUs Saved per \$1,000 Invested	Annual Greenhouse Gas Reduction (kg of CO2)		
							Therms	kWh			Btu Equivalent	% of Baseline	Individual Measure
<b>Most effective set of measures to achieve 20% efficiency improvement including interactive effects</b>													
1	Replace T12 lamps with T8 along with new electric ballasts	\$900	\$900	\$140	\$140	6.4		980	6,250,000	5.0%	6.94	5,300	5,300
3	...	\$27,000	\$27,900	\$2,800	\$2,940	9.6	840		84,000,000	12.7%	3.11	12,600	17,900
4		\$18,000	\$45,900	\$1,950	\$4,890	9.2	350		35,000,000	6.4%	1.94	...	...
2		\$5,000	\$50,900	\$225	\$5,115	22.2	46		4,560,000	3.0%	0.91		
5		\$6,500	\$57,400	\$130	\$5,245	50.0		580	3,980,000	1.3%	0.61		
<b>Additional measures to improve efficiency beyond 20% ranked by BTUs saved per \$1,000 invested</b>													
6		\$9,600	\$67,000	\$205	\$5,450	46.8		910	5,568,000	1.4%	0.58		
7		\$4,500	\$71,500	\$75	\$5,525	60.0	24		2,385,000	0.9%	0.53		
8		\$23,000	\$94,500	\$187	\$5,712	123.0	92		9,200,000	0.5%	0.40		

Note: these are all dummy numbers to illustrate how the table should be presented



## **Recommended Projects**

Based on the NOFA EECBG guidelines and requirements, the energy audits performed at each site, and the resultant matrices, the LAHD is recommending that the top-ranked 15 projects receive Letters of Commitment and execute loan agreements in the amounts listed in the budget award column in Table 1. Each of these projects is anticipated to achieve at least a 20% improvement in energy efficiency after undergoing the prescribed retrofit work plan.

All projects will have full CEQA and NEPA environmental clearance prior to funding these projects.

## **Loan Amendments/ New Contracts**

Fourteen (14) of the fifteen (15) top-ranked projects already have existing affordability covenants with the City of Los Angeles and/or the State of California. Eleven (11) of the top-ranked fifteen (15) projects have loans with the City (either the LAHD or CRA/LA) and, thus, will be required to amend their existing loan to add the new EECBG funds to their agreement.

If the selected project does not have existing affordability restrictions/agreements with the City of Los Angeles a new contract will be executed. The new contract will include a 30-year affordability restriction/agreement, with units restricted at up to 60% Area Median Income (AMI).

## **Appeals Process**

Applicants who were unsuccessful may appeal the LAHD's recommendations. The LAHD will establish and implement an appeals process which incorporates outside panelists with experience in energy efficiency as it relates to commercial/ residential buildings. Specifically, the LAHD will entrust the panelist with reviewing the EECBG scoring methodology for consistency and applicability with the NOFA and EECBG criteria. The panel will have the authority to overturn the LAHD's recommendation with a simple majority vote. In the event of a tie, the General Manager of the LAHD will cast the deciding vote.

The last day to appeal the LAHD's EECBG recommendations is five (5) working days from the date of the LAHD's notice letter.

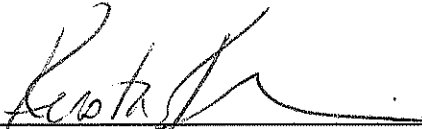
## **Funding Sources for EECBG 2010/11**

The LAHD is recommending \$3,932,348 million in funding for the 15 top-ranked EECBG projects, which can achieve at least a 20% improvement in energy efficiency after completing a building retrofit. The LAHD is recommending that staff report back to the Mayor and City Council in January 2011 on options to expend the balance of the EECBG Multifamily Retrofit Program funds totaling \$707,959.

## **FISCAL IMPACT:**

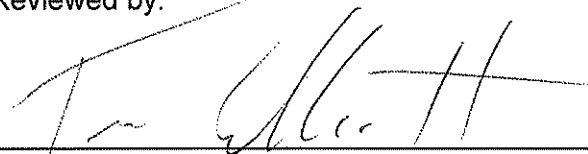
There is no impact on the General Fund. The Department of Energy (DOE) will be providing the Energy Efficiency and Conservation Block Grant (EECBG) as the only source of funding.

Prepared by:



KRISTA KLINE  
Senior Project Coordinator, Executive Office

Reviewed by:



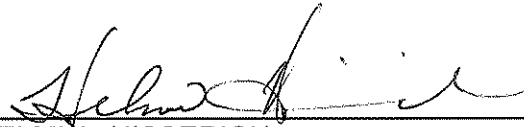
TIMOTHY S. ELLIOTT  
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