

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America



**2015
ROCK & ROLL
HALL OF FAME
INDUCTEE**

WELCOME TO "GREEN" PARADISE

"Welcome to Paradise" first appeared on the band's second album, Kerplunk (1991). It was later re-recorded and re-released on the band's third album, Dookie (1994)

THE BAND MEMBERS



Keely Felton

Nova Energy Group



John Hartung

HUD



Phil Winterland

EBI Consulting



Ryan Miles

Dwight Capital

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

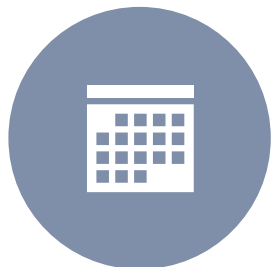
OVERVIEW OF ORCF'S GREEN MIP PROGRAM



Green MIP Notice
Release Date: May
19, 2022



Mortgagee Letter
(ML) 2022-13
Release Date:
August 18, 2022



Effective Date:
October 1, 2022



PRA Docs Release
Date: January 20,
2023



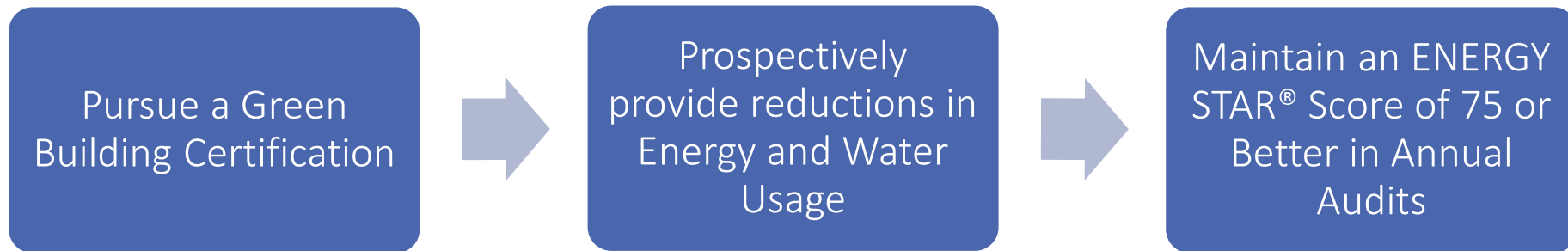
PROGRAM OVERVIEW

- The Mortgagor will pay a reduced MIP rate for upfront and annual premiums by committing to reduce water and energy consumption prospectively.
- The Green MIP Reduction is for NC/SR/241(a)s and refinance projects.
- Eligible projects may use up to 75% reduced underwritten utility operating expenses as part of their expected energy and water reductions.
- ORCF's ML 2022-13 describes the minimum requirements needed for properties to access the Green MIP rate reduction.



**WE WANT YOU
TO REDUCE
ENERGY
CONSUMPTION**

REQUIREMENTS FOR THE GREEN MIP RATE REDUCTION



- Pursue an ORCF recognized or approved Green Building Certification
- Meet ORCFs required energy and water reduction requirements, and
- Achieve a *minimum* ENERGY STAR Score of 75 or better, and maintain the post-improvement score in annual audits (not to fall below 75)

ENERGY STAR SCORE FOR BENCHMARKING

How is the ENERGY STAR Score acquired and applied?

- ENERGY STAR Scores are on a Statement of Energy Performance (SEP) for refi projects, and a Statement of Energy Design Intent (SEDI) for NC/SRs.
- The SEP/SEDI is obtained from the Environmental Protection Agency's (EPA) Portfolio Manager Benchmarking software. (Free Service)
- Energy Professional (EP) provides designs that will reduce energy / water usage compared to the SEP's benchmarked 12-month of whole building historical energy and water usage.
- The proposed energy improvements must also result in an ENERGY STAR Score of 75 or better.



UTILITY BENCHMARKING AND THE SEP

Benchmarking is an historical view of a building's performance. (12-months of whole building utility usage)

The initial (as-is) SEP data is a result of benchmarking and is the baseline ENERGY STAR Score and Energy Usage data.

The Energy Professional must use “**Senior Living Community**” property type in EPA for benchmarking Section 232 properties.

Data Collected for All Properties

- Property Name
- Property Address
- Total Gross Floor Area of Property
- Irrigated Area
- Year Built/Planned for Construction Completion
- Occupancy
- Number of Buildings
- 12 consecutive months of energy data

Additional Data Collected for Senior Living Community

The following information is required to get an ENERGY STAR score ([if eligible](#)):

- Gross Floor Area
- Maximum Resident Capacity
- Average Number of Residents
- Total Number of Residential Living Units
- Number of Workers on Main Shift
- Number of Computers
- Number of Residential Washing Machines
- Number of Commercial Washing Machines
- Number of Residential Electronic Lift Systems
- Number of Commercial Refrigeration/Freezer Units
- Percent That Can Be Heated
- Percent That Can Be Cooled

The following information is **optional** and not used to calculate a score; it may inform future analysis and score revisions by EPA and/or may help you manage and compare your properties:

- Licensed Bed Capacity

ENERGY AND WATER REDUCTION REQUIREMENTS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

What are ORCF's Energy and Water Requirements?

- For NC/SR projects, the Energy Professional must achieve at least a 25% reduction in energy usage and 10% reduction in water usage, **prospectively**, compared to HUD minimum energy codes.
- For Refi's, the Energy Professional must achieve at least a 15% reduction in energy usage and at least a 10% reduction in water usage, **prospectively**, compared to baseline benchmarked energy and water use.
- The Energy Professional provides designs that the EP certifies that will reduce energy and water usage compared to the SEPs benchmarked 12-month whole building historical energy and water usage data.
- The Green MIP program is to incentivize future improvements and not to reward improvements already accomplished in the past.

DELIVERY OF SEP/SEDI, GREEN BUILDING CERTIFICATION AND DATA COLLECTION PLAN

- **Refi/Purchase:** Initial (as-is) SEP and SEDI due at application → As-improved SEP due NTE 24-months after *repairs* capturing break even occupancy data, then annually.
- **NC/SR:** SEDI* due at application → As-improved SEP due NTE 24-months after 12-months of break-even occupancy data, then annually.
- Data Collection Plan due with the HUD application. The Data Collection Plan describes method(s) on how/what data will be collected.
- The approved green building certification is due no later than the due date of the As-Improved SEP.

**SEDI's may be deferred to the final stage depending on level of development.*

ACHIEVING A GREEN BUILDING CERTIFICATION

Pursuing a Green Building Certification:

- Borrower selects the ORCF recognized/approved “Green Building Standard” (aka Green Building Certification)
- Borrower and Energy Professional certify that the acceptable Green Building Certification will be achieved
- Lender must submit the Green Building Certification achievement to HUD
- Use of a previously earned 232-approved Green Building Certificate does not negate the requirement for further reductions in energy/water usage

ELIGIBLE GREEN BUILDING CERTIFICATIONS FOR NC/SR

National Green
Building Standards
(does not include
SNFs)

EarthCraft MF
(Commercial)
Certification

Earth Advantage
MF Certification

Passive House
Building
Certification

LEED Healthcare,
Home, Low-
Highrise, NC

Passive House
Building
Certifications

Living Building
Challenge

ELIGIBLE GREEN BUILDING CERTIFICATIONS FOR REFI'S

National Green
Building Standards
(does not include
SNFs)

EnerPhit Standard
(Retrofits)

EarthCraft MF
(Commercial)
Certification

Enterprise Green
Communities
(LIHTC/Affordable
projects)

Green Globes
Standard (case-by-
case-basis for
SNFs)

GREEN GLOBES RESIDENTIAL CARE FOR EXISTING BUILDINGS

Minimum Requirements for Green Globes Residential Care for Existing Buildings

- Green Globes is a green certification provided by [The Green Building Initiative](#) (GBI), founded in 2004.
- There is a 1,000 pt questionnaire covering sustainability, health & wellness and resilience of commercial buildings. To achieve 1 Green Globe, a minimum of 35% of the points must be met and verified. No minimum requirements.



GREEN GLOBES®
BUILDING CERTIFICATION

GREEN GLOBES RESIDENTIAL CARE FOR EXISTING BUILDINGS

Minimum Requirements for Green Globes Residential Care for Existing Buildings

- It is [an ANSI standard](#), and goes through a very detailed process to get approved.
- They also maintain [jurisdictional minimum requirements](#), which means that if a federal department or agency establishes that minimum criteria must be met in order to be recognized by that “jurisdiction”, then Green Globes incorporates those requirements SO LONG AS the protocol does not change any portion of the standard.
 - Examples:
 - Multifamily for Existing Buildings, accepted by Fannie Mae for Green Rewards
 - Guiding Principles Compliance, designed for federal agencies to assess compliance with the federal Guiding Principles



GREEN GLOBES®
BUILDING CERTIFICATION

GREEN GLOBES RESIDENTIAL FOR CARE EXISTING BUILDINGS

Residential Care for Existing Buildings - In addition to achieving at least **35% of the Questionnaire points**, **Minimum Requirements** must be met.

- **Energy:** **15%** or greater energy consumption reduction (energy use, not cost) over baseline AND achieve an ENERGY STAR score of **80 or above**
- **Water:** **10%** or greater water consumption reduction (water use, not cost) over baseline
- **Efficient Equipment & Products:** Specify installation of **ENERGY STAR** and **WaterSense** labeled equipment and fixtures
- **Annual Monitoring and Tracking** – Same as HUD
- **Resilience:** A minimum of **15 points** must be achieved from the Resilience assessment areas:
 - 1.2.1 Risk Assessment & Facility Adaptation
 - 1.2.2 Emergency Procedures, Response & Facility Upgrades
 - 1.2.3 Building Occupant Environmental Training & Communications



223(A)(7) GREEN MIP LOANS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Applicants for 223(a)(7) refinancing must:

- Commit to pursue an ORCF approved green building certification.
- Provide an As-Is SEP (12-months of 100% whole building utility data).
- *Prospectively* reduce energy by 15% and water by 10% and achieve an As-Improved *minimum* ENERGY STAR Score of 75 or better.
- Provide repair escrow for energy/water retrofits and monitoring technology for annual audits, if data is not available via invoices or from the utility company.

(223(a)(7) properties with an existing Green MIP and a green certification <15 years old, must demonstrate continuing performance)

223(F) GREEN MIP LOANS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

For properties *without* a Green Building Certification pursuing a Green MIP rate, ORCF requires the Borrower to:

- Commit to pursue an ORCF-approved green building certification.
- Provide a SEP (12-months of 100% whole building utility data) in Portfolio Manager.
- *Prospectively* reduce energy by 15% and water by 10% and commit to achieve an *As-Improved minimum* ENERGY STAR Score of 75 or better.
- Provide a repair escrow for energy and water retrofits and monitoring technology for continuing performance if data is not available.

223(F) GREEN MIP LOANS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

For properties *with* an ORCF-approved Green Building Certification pursuing a Green MIP rate, ORCF requires the Borrower to:

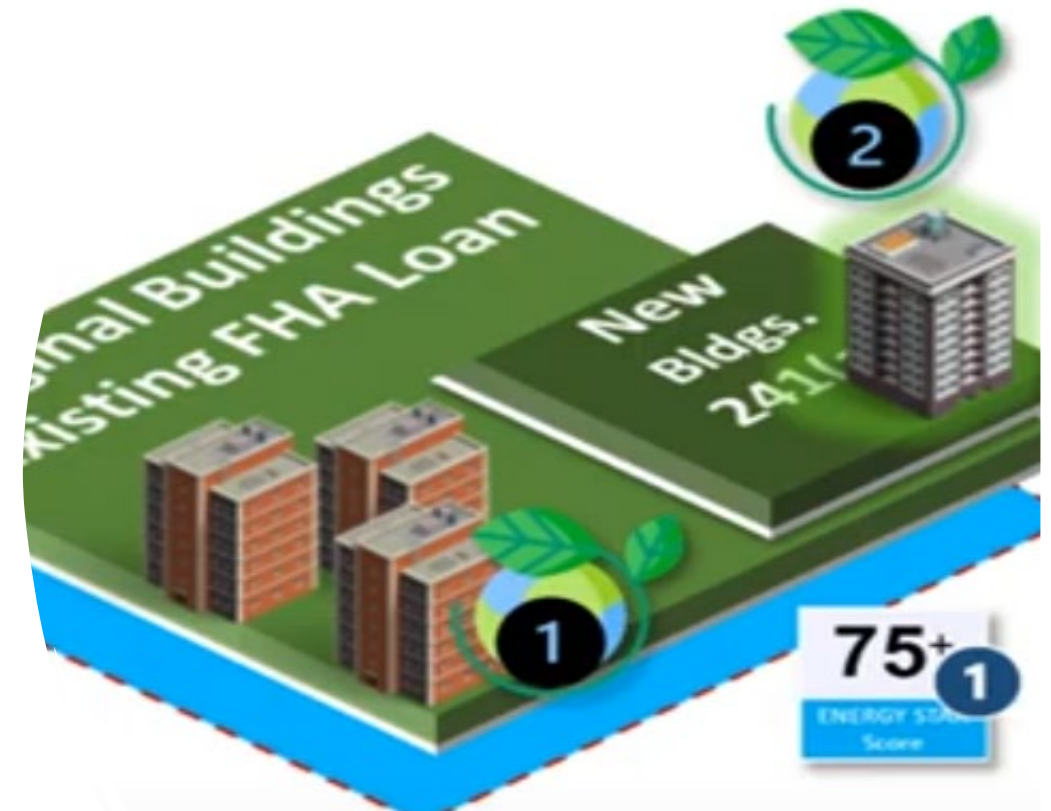
- Provide evidence of an ORCF-approved green building certification
- Provide trailing 3 years of SEPs (12-months of 100% whole utility data)
- *Prospectively* reduce energy by 15% and water by 10% and commit to achieve a *minimum* ENERGY STAR Score of 75 or better
- Provide a repair escrow for energy and water retrofits and monitoring technology for continuing performance if data is not available
- If the existing green certification is over 15 years old, a Borrower must achieve the next level up in that certification, if available

GREEN MIP 241(A) LOANS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

- For 241(a) Loans, per the ML, the entire property must be green certified and ORCF energy and water compliant
- In some instances, two green building certifications may be needed
- Both loans must be recorded as one single property with one SEP (Campus option in EPA Portfolio Manager)



NC/SR GREEN MIP LOANS

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

For 232 NC/SR Loans must:

- Pursue an ORCF approved green building certification
- *Prospectively* reduce energy by 25% and water by 10% on NC/SR projects
- Provide a signed SEDI and submit with the application (adjustments are addressed for two-stage processing)
- Provide energy monitoring technology for continuing performance when 100% Whole Building Data is not available
- Phased construction (new and existing) should generally achieve one green building certification

"TAKING THE" LONGVIEW

GREEN MIP BENEFITS

"Longview" received heavy airplay on MTV and is largely credited for breaking Green Day into mainstream popularity. In 1995, Green Day received four Grammy Award nominations, including Best Hard Rock Performance for "Longview".

FINANCIAL ANALYSIS

Average HUD Loan Closing Data from FY2023:

	Assisted Living	Skilled Nursing
Average # Units/Beds	93	129
Average Loan Amount	\$13,107,800	\$15,173,200

Transaction Cost Estimates*:

Cost Estimates	Assisted Living	Skilled Nursing
Certification Cost	\$3,000	\$10,000
Consulting Fees	\$35,000	\$35,000
Energy Repairs	\$279,000	\$387,000
Total:	\$317,000 ~\$3,400 unit	\$432,000 ~\$3,350 bed

* Transaction costs will vary depending on certification, property size, and building needs/baseline SEP score

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

GUESS WHAT ELSE IS GREEN?



TAKE THE MONEY AND CRAWL

	Assisted Living	Skilled Nursing
Loan Amount	\$13,107,800	\$15,173,200
Closing MIP Reduction	75 Basis Points	
Closing MIP Savings	\$98,308	\$113,799
Annual MIP Reduction	40 Basis Points	
Annual MIP Savings:	\$52,431/year	\$60,692/year
Utility Savings:	\$20,000/year	\$40,000/year
Total Annual Savings	\$72,431	\$100,692
Project Costs	\$317,000	\$432,000
Payback Period	3.02 Years	3.16 Years

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

The song “Take the Money and Crawl” by Green Day is about making a difficult decision in life where you must choose between doing something hard to come out ahead or taking the easier way out and accepting a less than desirable result.



BASKET CASE "STUDY"

The music video for "Basket Case" was filmed in an abandoned mental institution in California. As of March 2023, "Basket Case" is the most streamed song by the band on Spotify, with over 921 million streams.

BOONE RIDGE SENIOR LIVING

- The 151-bed assisted living facility and memory care complex is located in Salem, OR and opened in 2019
- Pursuing National Green Building Standard Bronze certification
- \$600,000 in proposed energy conservation retrofits
- \$26,000 in estimated annual utility cost savings
- SEP: 81 to SEDI: 92
- Energy efficiency improvement of 18.7% and a water efficiency improvement of 13.5%
- Retrofits included upgraded common area lighting, ENERGY STAR washing machines, WaterSense water fixtures, and 120 kW photovoltaic system

Loan Amount	\$35,656,000
Closing MIP Savings	\$267,420
Annual MIP Savings:	\$142,624
Utility Savings:	\$26,188
Total Annual Savings	\$168,812
Project Costs	\$617,170
Certification Payback Period	2.07 years



WHEN I ("HUD") COME AROUND

HUD LEARNINGS AND EXPERIENCE

"When I Come Around" topped the Billboard Modern Rock Tracks chart for seven weeks and reached number two on the Billboard Album Rock Tracks chart. Worldwide, it became a top-10 hit in Australia, Canada, Iceland, and New Zealand.

HUD GREEN CLOSINGS AND PIPELINE (NOV. 2023)

- Two 232/223(f) loans that have closed
 - Both projects were Assisted Living
- One 232/223(f) deal in the queue
 - Skilled Nursing Facility
- One 232 New Construction deal currently in HUD Underwriting



QUESTIONS?

"THANK YOU AND" GOOD RIDDANCE (TIME OF YOUR LIFE)

ANY FURTHER QUESTIONS, PLEASE CONTACT LEANTHINKING@HUD.GOV

"Good Riddance (Time of Your Life)" became a chart hit and has sold over five million copies and is certified quintuple platinum in the United States, making it the band's most commercially successful single.