

PROGRAM GUIDELINES

RENTAL ENERGY UPGRADE PILOT PROGRAM

April 26, 2018

I. PURPOSE

The purpose of the *Rental Energy Upgrade Pilot* (REUP) Program, established by the City of Duluth through its Public Works and Utilities Department, is to promote the conservation of energy in residential properties that serve the city's low-to-moderate income population and to foster improvements to the health and comfort of the persons who commonly occupy such rental properties. Rental properties that commonly serve this population are often older properties located in areas of the City which do not command sufficient rental income to encourage in owners to invest in energy efficiency measures, even when those measures might, in the long run, pay for themselves. In addition, the Minnesota State Mechanical and Fuel Gas Code has been amended to require property owners of multi-unit rental properties heated by forced air furnaces to install a furnace to serve each individual unit so as to eliminate sharing of air between units. It is desirable to encourage owners of such facilities to install individual furnaces for each unit as opposed to the initially cheaper but less energy efficient heating sources to meet this requirement. REUP will provide grants and services to increase energy efficiency for these properties. It will make available funds for envelope insulation, weatherization and air sealing services to decrease heat loss and improve overall tenant comfort. REUP will also make available grants to install high efficiency heating systems. The combination of grants paired with the City's established Home Energy Loan Program will offer an opportunity for customers to make energy improvements to aging properties that provide housing for low-to-moderate income tenants. By providing grants and financing options, REUP will also deter property owners from delaying heating system repairs and/or converting to more expensive heating sources, which can increase energy consumption and exacerbate energy poverty.

II. DEFINITIONS

The following words and phrases shall have the meanings hereinafter ascribed to them:

- A. Advanced Home Energy Analysis (AHEA): shall mean a home energy audit conducted by Energy Consultant which includes, in addition to those components contained in a walkthrough Home Energy Analysis (HEA), the following additional work which shall include written reports to the Property Owner and to the Utility:
1. Blower door test(s).
 2. Thermal scans to identify building air leaks and insulation needs.
 3. Combustion safety tests on fuel burning equipment.
 4. Manufacturer name plate data on heating units.
 5. Assessment of insulation value in walls, attics, and ceilings.
- B. Contractors: shall mean the contractors who have entered into agreements with the City to perform one or more of the following tasks for Qualified Property as directed by the Director.
1. Income Verification for program participation as provided for in article III Paragraph A below.
 2. Minimal Weatherization and Air Sealing for Property Owner as defined herein upon request of such Property Owner.
 3. Envelope Insulation for Property Owner as defined herein upon request of Property Owner.
 4. Perform Program services, at costs and under terms specified under the Program, as directed by Director.
 5. Enter into contracts with Owners of Qualified Properties to do work under the Program on their Qualified Property.
 6. Maintain records in a form acceptable to the Director of all work performed under the Program.
 7. Upon reasonable request of the Director make available to the Utility, and any entity contracted by Utility to perform such work, all books and records of the Contractor pertaining to Program work done by Contractor.
- C. Director: shall mean the Director of the City's Public Works and Utilities Department or the person designated by him or her to perform various functions or grant various approvals under the Program.
- D. Energy Consultant: shall mean the auditor that performs AHEA's for Properties as directed by the Director.
- E. Energy Efficiency Grants: shall mean the grants awarded to Owners for installation or up-grading of high efficiency, natural gas forced air furnaces, natural gas boilers, natural gas fireplaces, natural gas heating

units, building envelope improvements, and/or other natural gas projects which meet the requirements of Article IV Paragraph I below.

- F. Envelope Insulation: shall mean the installation or up-grading of attic insulation, wall insulation, ceiling insulation, roof insulation, and/or air sealing which meets the requirements of Article IV Paragraph H. below.
- G. Home Energy Analysis or HEA: shall mean the Utility's Home Energy Analysis Program.
- H. Home Energy Loan Program (HELP): shall refer to the Utilities' residential energy conservation loan program.
- I. Income Verification: shall mean the collection and retention by the Contractor of information from Tenants which is sufficient to determine whether a Property is a Qualified Property pursuant to Article III Paragraph A below.
- J. Minimal Weatherization and Air Sealing: shall mean the installation of materials which will decrease heat loss and unwanted air flow, which materials may include insulation, caulk, spray foam, door sweeps and/or other materials used for this purpose.
- K. Program: shall mean Duluth Public Works and Utilities Department's Rental Energy Upgrade Pilot Program.
- L. Property: shall mean a property having at least two (2) but no more than four (4) residential units which are or can be available for rent for residential purposes.
- M. Owner: Shall mean the owner of a Qualified Property or property manager with authority to make upgrades or changes to said Property.
- N. Qualified Property: shall mean rental Property occupied by Tenants, at least 50% or more of whom meet the income requirements of Article III Paragraph A. below, and which uses natural gas from the Utility as its primary source of heating fuel or, upon completion of work funded in part by the Program, will do so
- O. Tenant: shall mean an individual or group of persons living as a household unit which occupies a rental unit in a Qualified Property. An Owner occupying a residential unit in a qualified Property as his or her permanent residence can qualify as a "Tenant" under the Program.
- P. Utility: shall mean the City of Duluth's natural gas utility as part of its Public Works and Utilities Department.

III. QUALIFIED PROPERTY

Program shall be available for Qualified Property under the terms and conditions established in these Guidelines and pursuant to these.

A. Tenant Income Requirements

To constitute a Qualified Property, a Property must be occupied by Tenants, at least 50% of which have a verified gross annual income at or below 80% of the Area Medium Income (AMI) applicable to the year in which Program benefits are provided as determined by the Department of Housing and Urban Development (HUD) or are current participants of the Department of Health and Human Services' Low-Income Home Energy Assistance Program (LIHEAP). The 80% AMI income amounts for 2018 are as follows:

Household Size	Gross Annual Income
1	\$37,650
2	\$43,000
3	\$48,400
4	\$53,750
5	\$58,050
6	\$62,350
7	\$66,650
8	\$70,950

Changes to income requirements will be made automatic as determined from time to time by U.S. Departments of Housing and Urban Development or of Health and Human Services as applicable

B. Other Program Requirements

1. Properties must pursue other energy efficiency programs that they may qualify for including federally funding Weatherization Assistance Program, administered locally by Arrowhead Economic Opportunity Agency.
2. Owner must be in good standing with Utility.

IV. PROGRAM COMPONENTS

The following shall be the activities that will be undertaken as part of the Program:

A. Initiation of Program for Properties

Initiation of involvement in the Program shall be at the request or with the approval of an Owner or Tenant of potentially Qualified Property. In addition, the City or an Energy Consultant may solicit initiation of a potentially Qualified Property. No property shall be initiated into the Program without the consent of its Owner or of a Tenant of such Property.

B. Home Assessment

An Energy Consultant will complete an AHEA of a property and energy-consuming equipment to determine energy consumption, what if any, energy losses or inefficiencies exist or are inefficiently being handled by such equipment, and identify and quantify potential improvements thereto which will result in reductions in energy consumption.

1. If the Property is a Qualified Property, Utility will pay normal AHEA rebate specified in Article V Section H of the AHEA Program Guidelines to Contractor instead of Property Owner.
2. If the Property is not a Qualified Property, Utility will pay the Energy Consultant the normal AHEA rebate plus the amount remaining after Utility and Minnesota Power AHEA rebates have been applied to the cost. The total amount paid by Utility shall not exceed the total cost of the AHEA less other grants or rebates from other organizations.

B. Cost/Benefit Analysis

The Energy Consultant will analyze potential energy-related improvements to determine the cost of acquisition and installation thereof and the estimated amount of energy-related costs savings, which will result for each proposed improvement.

C. Energy Assessment Report

The Energy Consultant shall prepare an AHEA report for the Owner and Utility to review the Property's energy use, identify energy saving opportunities, quantify estimated savings, estimate costs, and quantify life-cycle costs and simple pay-back, and recommend improvements. The report will provide results of diagnostic assessment tests and shall be in a form appropriate to assist Owner or any Contractors hired by the Owner to formulate work scopes and/or quotations to implement energy upgrades, and provide pictures of heating equipment, and heating equipment name plates, or best estimates of information if name plates

are not available. The report will contain estimates of wall, attic, and ceiling insulation R-values. Energy assessment or audit estimates shall not constitute a guaranty of any anticipated savings resulting from the purchase or installation of recommended energy upgrades.

D. Owner Approval

The Owner of a Qualified Property must give written approval to participate in Program. Contractor must have approval from Owner before proceeding with Income Verification and subsequent Program components.

E. Income Verification

Contractors shall verify necessary Tenant income information to ensure that the subject Property is a Qualified Property.

F. Acquisition and Installation

Energy Consultant shall review analysis of air leakage, insulation levels and mechanical systems to qualify the Property for various Program components. The Owner shall choose which recommended energy upgrades to acquire and construct or install, as is appropriate, and shall pay the entire cost thereof, except as and to the extent reimbursed for a portion of the cost thereof as provided for by the Program.

G. Minimal Weatherization and Air Sealing

With Owner approval, Contractor will install Minimal Weatherization and Air Sealing improvements to the Qualified Property based on findings from AHEA. At a minimum, the Contractor shall have a Building Analyst certification from the Building Performance Institute or have been pre-approved in writing by the Director. The Utility will pay Contractor for materials so installed on the Qualified Property in amounts not to exceed an average of \$600 per residential unit. If insulation is added refer to article III., section H in these guidelines.

H. Envelope Insulation

With Owner approval, a Contractor hired by the Owner may perform Envelope Insulation. Contractor should hold a Residential Building Envelope Whole House Air Leakage Control Installer certification or have been pre-approved in writing by the Director. In order to meet Program qualifications for Envelope Insulation, the work performed must produce the results specified in sub-paragraphs 1, 2 and 3 below. For work which produces those results, the Utility will pay 50% or up to \$1,000 of the cost for the Envelope Insulation. Utility will award Grant to

the Owner with the disbursement made payable to both the Owner and the insulation Contractor. To qualify, improvements must meet the following standards:

1. Qualified Properties with attic insulation of R-20 or less must add insulation so as to have a final attic insulation value of R-40 or greater.
2. Qualified Properties with existing attic insulation of R-21 or more must add at least R-25 of additional attic insulation.
3. Qualified Properties with empty wall cavities or wall assembly R-value less than R-5 must add insulation so as to have final wall insulation value of R-12 or greater.

I. Energy Efficiency Upgrade Grants

Energy Efficiency Grants may be awarded for projects defined in Article II Paragraph E above if they meet the following criteria Utility will pay 50% of the cost of such projects up to listed maximum Grant set forth below to pay cost such projects which are required to separate mechanicals according to 9.918 of Minnesota Mechanical and Fuel Gas Code. The installed natural gas mechanical units must have an AFUE rating of 90% or greater. Utility will reimburse the Owner for such costs after installed units pass City inspection. The Owner or the Contractor must provide a copy of the invoice to the Utility in order to receive reimbursement, which reimbursement will be made jointly to the Owner and the Contractor.

Property Type	Maximum Grant
Duplex	\$5,000
Triplex	\$7,500
Four-plex	\$10,000

If a Property owner takes advantage of the Program for mechanical systems, they will not be eligible for any additional Utilities furnace/boiler rebates on the same equipment or installation.

J. Home Energy Loan Program

The Owner may use the Utilities' Home Energy Loan Program in order to finance qualifying energy efficiency projects.

V. PROGRAM PROCESS

- A. The following process will be followed to enroll participants in the Program and perform Program activities:
1. Energy Consultant completes an AHEA of property.
 - i. Energy Consultant collects information to assess property's match to Program Guidelines.
 - ii. Energy Consultant completes HEA direct installs.
 - iii. Energy Consultant determines status of furnace and mechanicals.
 - iv. Energy Consultant determines eligibility for Minimal Weatherization and Air Sealing and Envelope Insulation.
 - v. Energy Consultant delivers report to Owner and Utility with recommendations as to each category of work recommended to be performed and the estimated cost of each such category of recommended Program work. Such recommendations and estimates shall be in the form of those forms attached hereto as Exhibit A or Exhibit B or both as appropriate.
 2. Owner provides written approval to participate in Program, setting forth the Program work approved by Owner to be performed on the Owner's Qualified Property from Form A or Form B or both, as appropriate.
 3. The Director issues a notice to proceed to the Owner, setting forth each element of Program Work approved for Program participation and setting forth the amount of Program funds approved for each such element of Program work.
 4. Contractor completes Tenant Income Verification.
 - i. Tenants compile necessary financial information.
 - ii. Contractor submits income qualification documentation to the Utility.
- B. Minimal Weatherization and Air Sealing
1. Contractor completes a blower door assessment in addition to any such assessment performed as part of the AHEA.
 2. Contractor completes minimal weatherization and air sealing.
 3. Contractor completes a post- blower door test to determine reduction in air leakage and reports the results to the Utility.

4. Contactor will report initial R-value and final R-value of walls, total area of insulated walls, attics, ceilings, building exposure per MN TRM table 2 p501, and height (stories), and post-improvement blower door test results for air infiltration reduction in CFM50.
- C. Envelope Insulation
1. Utility qualifies the Qualified Property for an Envelope Insulation grant (and HELP if needed).
 2. Energy Consultant or Contractor, as applicable, performs a blower door test on the Qualified Property in a manner meeting the specifications of the AHEA.
 3. Contractor performs Envelope Insulation upgrades.
 4. After completion of the upgrades, Contractor completes a blower door test on the Qualified Property in a manner meeting the specifications of the AHEA and reports the results to the Utility and the Owner.
 5. Utility awards grant money to Contractor/Owner for installation.
 6. Contactor will report initial R-value and final R-value of walls, total area of insulated walls, attics, ceilings, building exposure per MN TRM table 2 p501, and height (stories).
- D. Energy Efficiency Mechanical System Grants
1. Utility qualifies property for energy efficiency grant (and HELP if needed).
 2. Contractor completes mechanical upgrades.
 3. Contractor will report equipment type, new unit input (Btu/h), AFUE of new unit, if ECM is installed, replacement reason, building type per MN TRM p441 requirements from contractor.
 4. Utility awards grant money to Contractor/Owner after units pass City inspection.
- E. Evaluation, Measurement and Verification
1. Utility will compare natural gas consumption one year prior and one year after upgrade measures are completed.

VI. PROGRAM LIMITATIONS

In addition to those set forth above, the Program shall have the following limitations:

A. Total Program Cost Limitation

The total costs for the Program shall not exceed the amount provided for in the Utilities' budget for the Program. When the total cost of the Program reaches Program budget limits, no further financial grants or expenditures under the Program shall be authorized

B. Energy Consultant and Contractor Responsibility

Each Energy Consultant and each Contractor under the Program shall be responsible to keep the Utility apprised of the identity, location and ownership of Properties with which it is working under the Program and shall keep the Utility up-dated on the status of each such Property in the Program and, when and as available, the best estimate of Program costs the Utility may be requested to fund for each such Property.

C. It is the responsibility of the Contractors to confer with Utility to ensure adequate funds are available for pending projects.

VII. PROGRAM ADMINISTRATION

The Director or his designee following these Guidelines shall administrate the Program.

Advanced Home Energy Analysis
REUP Qualifying Upgrades

Property Owner Information

Name of Property Owner: _____

Mailing Address: _____

E-mail Address: _____

Daytime Phone Number: _____

Property Information

Date of AHEA: _____

Property Address: _____

Housing Type (Please circle): Duplex Triplex Fourplex

Qualified Energy Efficiency Upgrades

- Giving Comfort at Home- Minimal Weatherization and Air Sealing
- Split mechanicals according to MN Mechanical and Fuel Gas code
- Professional Envelope Insulation and Air Sealing

Energy Consultant Signature

Today's Date



Dear ComfortSystems Customer,

Thank you for your interest in the Rental Energy Upgrade Pilot (REUP). Now that you have completed an Advanced Home Energy Analysis on your property, you may continue onto the next step in the program. Below you will find the various program components and grant money that your property can qualify for if you wish to proceed:

Qualified Component:

Indicate Customer Interest:

- | | | |
|--------------------------|---|-------|
| <input type="checkbox"/> | Giving Comfort at Home: Weatherization and Air Sealing- Free | _____ |
| <input type="checkbox"/> | Duplex: Natural Gas Mechanical System Grant- Up to \$5,000 | _____ |
| <input type="checkbox"/> | Triplex: Natural Gas Mechanical System Grant- Up to \$7,500 | _____ |
| <input type="checkbox"/> | Fourplex: Natural Gas Mechanical System Grant- Up to \$10,000 | _____ |
| <input type="checkbox"/> | Professional Insulation and Air Sealing Grant- Up to \$1,000 | _____ |

If you would like to participate in REUP, the next step is to complete tenant Income Verification. We have included the necessary forms that need to be filled out by the rental households at your property and returned to Ecolibrium3. Once the applications are reviewed, we will call to discuss the energy efficiency upgrades you would like to pursue. If you have any questions about income verification, please contact Ecolibrium3 at 218-336-1038.

If you have any additional questions or concerns about REUP, please call Eric Schlacks at 218-730-4060 or email Eric at eschlacks@duluthmn.gov.

Please return this sheet complete with your selected energy efficiency upgrades (initial on the right-hand column) to Ecolibrium3 along with any additional forms.

We look forward to working with you!

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