Annual Energy Performance Metrics Reporting Process: Guide For Servicers

January 2015
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Executive Summary

- Energy Performance Metrics (EPMs) track a property’s energy performance over time and potential expense and property condition risk
- Borrowers use EPA’s ENERGY STAR® Portfolio Manager® to calculate and submit the EPMs to Servicers
- Servicers submit EPMs by June 1 via the Portal
- Borrowers must report EPMs annually if the Property is:
  1. Financed with a Green Preservation Plus or M-PIRE loan; OR,
  2. Located in a city that already requires mandatory annual energy benchmarking, including:
     - Boston, MA
     - Cambridge, MA
     - Chicago, IL
     - New York, NY
     - Seattle, WA
     - Washington, DC
ENERGY PERFORMANCE METRICS AND
ENERGY STAR® PORTFOLIO MANAGER®
How do Energy Performance Metrics address risk?

- EPMs quantify a property’s annual energy performance
  - ENERGY STAR Score: 1 to 100 scale (the higher the better)
  - Source Energy Use Intensity: ~50 to 300+ kBtu/sq.ft. (the lower the better)

- Allow for analysis of financial risk as a result of energy performance

### Relationships Between Energy Performance Metrics and Financial Risk Metrics (Sample)

- **DSCR** vs. **ENERGY STAR Score**
- **Property Condition Rating** vs. **Source Energy Use Intensity**
How do Borrowers report EPMs to Servicers?

- EPMs are reported in ENERGY STAR® Portfolio Manager®
  - Portfolio Manager is a free, online tool offered by the US EPA
  - Used by many cities to report annual energy performance
- Portfolio Manager® calculates energy performance of properties and outputs the Energy Performance Metric Report
- Borrowers send a copy of the Energy Performance Metric Report to Servicers via e-mail or U.S. Mail
What does Fannie Mae require to be submitted?

**Energy Performance Metrics:**

1. **ENERGY STAR 1-100 Score**
   - Summarizes all the energy use at a property on a 1 to 100 scale
   - 1 to 100 scale (the higher the better)

2. **Source Energy Use Intensity (Source EUI)**
   - Calculates energy consumption of the property per square foot in British thermal units (kBtu/sqft)
   - ~50 to 300+ kBtu/sq.ft. (the lower the better)

**Supporting Information:**

1. **EUI / ENERGY STAR Score Date**
   - Ending date of 12-month reporting period
   - Should be Dec. 31 of prior year for reporting to Fannie Mae to match Annual Operating Statements

2. **Portfolio Manager Property ID**
   - Unique identifier within Portfolio Manager
   - Links the property with the Fannie Mae loan

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Energy Performance Metrics are reported on a calendar year: January through December. Borrowers must use ENERGY STAR’s Fannie Mae report to calculate and report the data.
FANNIE MAE’s EPM REPORTING REQUIREMENTS
Who is required to report EPMs to Fannie Mae?

- Multifamily borrowers must report if the property is:
  1. Financed with Green Preservation Plus or M-PIRE; or,
  2. Located in one of the following cities and meets the size requirement; property owners in these cities must already report to the city per local law

<table>
<thead>
<tr>
<th>City</th>
<th>Multifamily Property Size*</th>
<th>City’s Annual Reporting Deadline Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambridge, MA</td>
<td>≥ 50 units</td>
<td>May 1</td>
</tr>
<tr>
<td>New York, NY</td>
<td>≥ 50K gross sq.ft.</td>
<td>May 1</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>≥ 20K gross sq.ft.</td>
<td>April 1</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>≥ 50K gross sq.ft.</td>
<td>April 1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City</th>
<th>Changing Multifamily Property Size per Reporting Deadline Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston, MA</td>
<td></td>
<td>≥ 50K gross sq.ft. or ≥ 50 units</td>
<td>≥ 50K gross sq.ft. or ≥ 50 units</td>
<td>≥ 35K gross sq.ft. or ≥ 35 units</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td></td>
<td>≥ 250K gross sq.ft.</td>
<td>≥ 50K gross sq.ft.</td>
<td>≥ 50K gross sq.ft.</td>
</tr>
</tbody>
</table>

* Some cities indicate size of property required to report by gross square footage and others by number of rental units. Boston sets its size requirement in both gross square footage and number of rental units.

Each City’s Reporting Deadline may be different than each Servicers’ deadline. Servicers must submit EPMs to Fannie Mae by June 1.
Are properties in the MSA required to report?

NO: New York MSA

YES: Properties within the jurisdiction of the City of New York

Only borrowers within a city’s jurisdiction are required to report EPMs to Fannie Mae, not borrowers within the MSA.
SERVICERS’ EPM REPORTING PROCESS
How do Servicers comply with Fannie Mae’s EPM Reporting requirement?

Step 1 • Notify Borrowers of the EPM requirement

Step 2 • Ensure Energy Performance Metrics Reporting Compliance

Step 3 • Upload Energy Performance Metrics to MAMP

Step 4 • Address Quality Control and Non-Responsive Borrowers
Step 1: Notify Borrowers of the EPM requirement

1. Communicate with Borrowers who must report EPMs
2. Remind borrowers that they must report if the property:
   - is financed with Green Preservation Plus or M-PIRE; or,
   - is located in one of the reporting cities and meets the size requirement
3. Remind Borrowers that they must generate the report in Portfolio Manager using the *Fannie Mae Energy Performance Metrics Report*
4. Refer Borrowers to training resources if a Borrower has questions on how to benchmark (see Appendix)
Sample Letter to Borrowers

Dear [Borrower],

ENERGY STAR® is a U.S. Environmental Protection Agency (“EPA”) program whose goal is to assist commercial property owners to reduce their energy efficiency, and as a result reduce energy costs. ENERGY STAR Portfolio Manager® is a free, online tool that helps owners track their properties’ energy performance over time. It summarizes a property’s energy performance on a 1 to 100 scale. The property may also achieve a nationally recognized certification if it achieves a score of 75 or greater.

Owners of properties located in the jurisdictions below are required to report data for calendar year 2014 to their city using ENERGY STAR Portfolio Manager®.

- New York City, NY - Multifamily Properties 50,000 sq.ft. or larger;
- Seattle, WA - Multifamily Properties 20,000 sq.ft. or larger;
- Washington, D.C. - Multifamily Properties 50,000 sq.ft. or larger;
- Boston, MA – Multifamily Properties with 50,000 gross sq. ft. or 50 or more units;
- Cambridge, MA – Multifamily Properties with 50 or more units; and
- Chicago, IL – Multifamily Properties 250,000 sq. ft. or larger

Fannie Mae also requires the annual reporting of energy metrics for any multifamily property that is (1) required to benchmark in EPA’s Portfolio Manager tool and report performance to their local jurisdiction; or (2) financed by one of Fannie Mae’s green lending products (Green Preservation Plus or M-PIRE).

This information must be submitted by emailing or sending via U.S. Mail the 2014 Fannie Mae Energy Performance Metrics Report, which is produced by Portfolio Manager®. To generate your Energy Performance Metrics Report, go to www.fanniemaegreeninitiative.com and click on the “ENERGY STAR® for Multifamily” page for the Report generation link; or, go to: 1.usa.gov/1z8h7m0

Please provide this information as follows no later than [DATE], 2015.

If you have any questions on reporting to Fannie Mae, please contact [Servicer name] at [Servicer contact information].

If you have technical questions on how to use ENERGY STAR® Portfolio Manager®, please go to www.energystar.gov/building/training or access your city’s Energy Reporting help and training resources.

Sincerely, [Chief Asset Manager]
Step 2: Ensure Energy Performance Metrics Reporting Compliance

1. Receive Borrowers’ EPMs via email or hard copy
   ▪ Borrowers may submit EPMs for multiple properties in one spreadsheet

2. Review “Covered Buildings List” to ensure EPMs have been reported for all required properties (see Appendix)

<table>
<thead>
<tr>
<th>Property Id</th>
<th>Property Name</th>
<th>Year Ending</th>
<th>ENERGY STAR Score</th>
<th>Source EUI (kBtu/ft²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4233263</td>
<td>Sample Multifamily Property</td>
<td>12/31/2013</td>
<td>93</td>
<td>67.5</td>
</tr>
</tbody>
</table>
Step 3: Upload Energy Performance Metrics to MAMP

1. Upload EPMs to Portal via CSV
   - Columns BF through BI in “Base, YTD Watchlist Template”
   - Columns BT through BW in “Seniors Template”

OR

2. Enter EPMs into MAMP Form 4254 tab
Step 4. Address Quality Control and Non-responsive Borrowers

1. Review EPMs for quality
   - ENERGY STAR Score: allowable values are between 1 and 100
   - Source EUI: Reasonable values are between 50 and 300
   - Higher or lower Source EUI numbers will be analyzed by Fannie Mae

2. Ensure Borrower compliance with the EPM reporting requirement by following-up with non-responsive Borrowers
   - Fannie Mae will perform an audit of missing EPMs
   - High levels of missing EPMs will be reviewed by Fannie Mae with the Servicer
   - Operating Statements should be submitted if a Borrower does not submit EPMs
Contacts

Email your Servicer Relationship Manager and the MF Operating Statements Mailbox:

- Anna Bruno  anna_bruno@fanniemae.com
- Michelle Hsiao  michelle_hsiao@fanniemae.com
- Christina Morrison  christina_l_morrison@fanniemae.com
- Julie Siegel  julie_d_siegel@fanniemae.com
- mf_operatingstatements@fanniemae.com
Take-Aways

- Notify your Borrowers of the EPM Reporting Requirement
- Borrowers must use the *Fannie Mae Energy Performance Metrics Report* in ENERGY STAR® Portfolio Manager®
- Fannie Mae is offering training for Borrowers on the EPM Reporting process
- Servicers must QC data and submit EPMs by June 1 with Annual Operating Statements
Appendix: Resources and Training

  Go to the “ENERGY STAR® for Multifamily” page

- Visit http://www.energystar.gov/buildings/training for “How To” Guides and short training videos including:
  - Portfolio Manager Quick-Start Guide
  - How to apply for the ENERGY STAR® certification
  - Links to upcoming live and recorded trainings

- Get answers to benchmarking questions at http://ww.energystar.gov/buildingshelp
Appendix: Covered Property Lists

- Boston Compliance Information
- Cambridge Building Energy Use Disclosure Ordinance
- Chicago Covered Building Information
- New York City Covered Building List
- Seattle Buildings Required and Exemptions
- Washington, DC Covered Building List