

# **WEATHERIZATION, REHAB AND ASSET PRESERVATION PARTNERSHIP**



## **BACKGROUND PAPER**

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# **WEATHERIZATION, REHAB AND ASSET PRESERVATION PARTNERSHIP**

## **INTRODUCTION**

The Weatherization, Rehab and Asset Preservation (WRAP) Partnership was established in 2002 with support from the Ford Foundation to help make home ownership more affordable for low-income households. WRAP seeks to create innovative delivery systems that combine energy efficiency and housing renovation programs to assist low-income homeowners in increasing the value of their homes by addressing the range of needs related to stable homeownership including deferred maintenance, rehab, weatherization and social services.

Many of the individual programs supporting WRAP's goals currently exist. However, they are often administered by different federal, state and local agencies, have complex and often contradictory application requirements, and rarely reach the intended recipients in a coherent and client-friendly manner. This lack of coordination leads to isolated services that are less than the sum of their parts.

The WRAP Partnership program will help preserve and increase a family's primary asset – their home. Through an intensive evaluation conducted by the University of North Carolina, WRAP will be able to identify and recommend new policies to improve the effectiveness of current programs and develop strategies to reflect local conditions, new opportunities, and gaps in current programs.

WRAP also builds on the first-time homebuyers programs that are sponsored by state and local governments throughout the United States. Often families served by these programs purchase homes that are in considerable need of repair. It is common for such homes to have outdated appliances and energy systems, old roofs, and related problems. Many of these families do not have the resources to make the needed repairs, and risk seeing their property values decline due to deferred maintenance. Some families may even face possible foreclosure due to the resulting high repair bills. Through a WRAP early intervention program, at the time of purchase, these homes will be retrofitted with energy efficient improvements and needed health and safety repairs to ensure that first-time home buyers can in fact maintain their homes and afford to pay their utility bills.

In order to promote its goals, WRAP is providing Challenge Grants to local non-profit agencies during a five-year period to test various strategies linking energy and housing programs. The first year of the five-year program has now been completed.

The Partnership is managed by the Energy Programs Consortium (EPC). EPC is a joint venture of the three national state energy organizations: the National Energy Assistance Directors' Association, representing the state Low-Income Home Energy Assistance Program directors; the National Association for State Community Services Programs, representing the state Weatherization Assistance Program directors; and the National Association of State Energy Officials, representing the state energy program directors.

## EXPECTED OUTCOMES

The expected outcomes of the WRAP Partnership include:

- Increasing potential for discretionary income for participating families as a result of lower energy costs;
- Reducing fire hazards, mold and other home safety hazards, and thereby lowered insurance costs;
- Increasing the asset value of homes as a result of rehabilitation and energy efficiency improvements;
- Developing resources for improving the neighborhood's appearance and condition; and
- Strengthening low-income home ownership as a predicate to increased asset formation in neighborhoods.

## WRAP CHALLENGE GRANT RECIPIENTS

The centerpiece of the Partnership is the WRAP Challenge Grant. Each grant provides up to \$100,000 annually for each of three years to pay for the management, development and administrative costs associated with each pilot program. The expectation is that the added funds will enable the agencies to develop new local and regional sources of funding to support the WRAP program, to explore new approaches to neighborhood development, and to help families build assets by providing resources. In addition, each pilot is required to match Challenge Grant funds on a dollar-for-dollar basis from other sources. The production goal for each pilot is 50 homes per year for a total of 150 homes per pilot during the three year period, or 1,150 in total for all 11 pilots.

As part of its selection process for participation in the pilot program, the Partnership seeks agencies that can respond positively to the following questions:

- Does the pilot agency have a *strong* relationship with at least one state agency?
- Does the pilot agency have *demonstrated* ability to work creatively with multiple programs and bureaucracies?
- Do local foundations have a *positive* view of the pilot agency's capabilities to carry out innovative and challenging projects?
- Does the pilot agency have the *potential* to add to the knowledge base on strategies to support affordable home ownership?

The following is a list of the sources providing matching funds for the current pilot projects:

- **ABCD, Inc. of Boston, in collaboration with Massachusetts Affordable Housing Alliance and Action Energy of Gloucester (supporting two sites – Dorchester and Gloucester):** US Department of Health and Human Services – Residential Energy Assistance Challenge Grant, Fleet Bank and federal and state weatherization funds.
- **Chattanooga Neighborhood Enterprise:** Catholic Health Initiative, CDBG, Lundhurst Foundation and Tennessee Department of Human Services.

- **Community Action Agency of Rio Grande City:** Texas Department of Housing and Community Affairs, IOU Fund, regional Individual Development Account project, US Department of Health and Human Services.
- **Community Development Corporation of Long Island:** Fannie Mae Foundation, Citigroup, Nassau County HOME, New York State HOME, Neighborhood Reinvestment Corporation and Freeport Electric Company.
- **Community Renewal Team of Greater Hartford:** Wells Fargo Bank, Travelers Insurance Foundation, Ensworth Foundation, state and federal weatherization funds, and the Connecticut Department of Social Services.
- **Energy Coordination Agency of Philadelphia:** William Penn Foundation, US Department of Health and Human Services – Residential Energy Assistance Challenge Grant.
- **Social Development Commission of Milwaukee:** US Department of Health and Human Services – Residential Energy Assistance Challenge Grant, CSBG, Milwaukee ABC Coalition, and WE Energies.

The pilots in the process of developing strategic plans expect to begin receiving Challenge Grant funds by August 2004, with matching sources as follows:

- **Anchorage Neighborhood Housing Services:** (tentative) The Rasmuson Foundation is the primary sponsor. In addition, the Wells Fargo Foundation has expressed an interest in supporting the pilot, as have several banks including Key, Northrim and First National. NHS is also in discussions with Municipal Light and Power, State Farm, ConcoPhillips, Sears and the Alaska Housing Finance Corporation.
- **St. Joe's Carpenter Society of Camden:** The William Penn Foundation Board and the New Jersey Board of Public Utilities are the primary sponsors.
- **Neighborhood Housing Services of Staten Island in collaboration with NHS of New York City:** (tentative) Primary sponsors are being identified. Tentative commitments have been made by Keyspan and Con Ed. The local pilot site will be on Staten Island.

## PRODUCTION STATUS

Table 1 illustrates the current production status of each pilot program, including projections through December 31, 2004. As of June 30, 2004, 271 families have completed in-take applications, 169 homes have been inspected and 173 are being renovated. In addition, 21 homes have been completed. The pilots are projecting a significant increase in production by the end of the year, with 241 homes completed by December 31. After all the pilots are up and running by early next year, the number of homes completed should begin to average about 50 per year. The pilots provide bi-monthly updates for these production figures.

**WRAP PILOT PROGRAMS  
HOME RENOVATION STATUS**

Pilot	Start Date	Status as of May 31, 2004				Projections Through December 31, 2004			
		# of Intakes	# of Inspections	Renovations		# of Intakes	# of Inspections	Renovations	
				Underway	Completed			Underway	Completed
<b>1st Year WRAP Pilot Programs</b>									
Freeport, NY	2/1/03	95	95	87	6	135	125	40	25
Rio Grande City, TX	4/1/03	80	14	46	4	182	116	61	51
Chattanooga, TN	7/1/03	39	14	11	8	114	58	33	20
Dorchester, MA	9/1/03	6	5	3	0	40	39	18	6
Gloucester, MA	9/1/03	9	9	9	3	54	54	40	35
Totals : Year 1 Pilots		229	137	156	21	525	392	192	137
<b>2nd Year WRAP Pilot Programs</b>									
Hartford, CT	12/1/03	45	32	17	0	75	53	30	30
Philadelphia, PA	1/2/04	0	0	0	0	105	85	72	59
Milwaukee, WI	5/1/04	0	0	0	0	27	25	25	15
Anchorage, AK	7/1/04	0	0	0	0	0	0	0	0
Camden, NJ	7/1/04	0	0	0	0	0	0	0	0
Staten Island, NY	7/1/04	0	0	0	0	0	0	0	0
Totals: Year 2 Pilots		45	32	17	0	207	163	127	104
<b>All WRAP Pilot Projects</b>									
Totals: Year 1 + 2 Pilots		274	169	173	21	732	555	319	241

## REDUCING HOME ENERGY COSTS

Weatherization is a key component of the WRAP program. Families are expected to save at least 20 percent on their home energy bills as a result of the weatherization portion of the WRAP program. As shown in the following table, the average WRAP family is projected to spend about \$1,467 annually on home energy costs and will save on average about \$293 per year, or almost \$44,000 per pilot site. The cumulative annual savings for all 1,150 families participating in the WRAP Partnership is expected to be about \$570,000. In addition, some of the families who participate in the program will also be eligible to receive energy grants to help pay their annual energy bills. These grants can provide an additional \$300 to \$500 a year in benefits.

**WRAP Program - Projected Annual Energy Savings by Pilot Site**

<b>Pilot Site</b>	<b>Energy Costs</b>	<b>Weatherization Savings</b>	<b>Total Pilot Energy Costs</b>	<b>Total Pilot Savings</b>
Anchorage	\$1,616	\$323	\$242,438	\$48,488
Boston (Dorchester)	1,526	305	228,861	45,772
Camden	1,430	286	643,500	128,700
Chattanooga	1,290	258	193,500	38,700
Freeport	1,526	305	228,900	45,780
Gloucester	1,526	305	228,900	45,780
Hartford	1,526	305	228,900	45,780
Milwaukee	1,358	272	203,700	40,740
Philadelphia	1,526	305	228,900	45,780
Rio Grande City	1,290	258	193,500	38,700
Staten Island	1,526	305	228,900	45,780
Average	\$1,467	\$293	\$218,182	\$43,636

## STRUCTURE OF THE WRAP PILOT PROGRAM

The development of a strategic plan by each local agency is one of the key conditions for receiving a Challenge Grant. Common elements in the strategic plan including:

- An inventory of the full range of available home renovation resources, energy efficiency and social service grant programs that could be of help to target households;
- Identification of opportunities for developing new initiatives with state public benefit funds, utilities and other energy providers;
- A blended intake or application form for all identified program products and services, providing participants with a one-stop approach to applying for funds and services;
- A timeline for the implementation of the program;
- An assessment of the services that will be provided by the local programs; and
- An analysis of other sources of support, including foundations and government agencies.

**Program Design and Initial Outcomes - Delivering Services to Families:** WRAP staff is working with the pilots to develop a “one-stop shop” program, to integrate social services with weatherization and home improvement programs. In each city, the model calls for a housing counselor to assist homeowners in completing a master form/blended application designed to initially identify the range of social service, rehab, weatherization assistance and loan programs for which they may qualify. The counselor also helps them file program applications, and serves as their advocate as decisions are made regarding the specific benefits provided to applicants.

Once eligibility for the WRAP program is established, a housing specialist conducts a complete home energy audit and prepares a work write-up for the home. Together with the housing counselor, an affordable plan for the renovation and weatherization of the home is then developed, including organizing the weatherization and rehabilitation efforts to fit into a logical sequence. The housing specialist supervises the selection of approved contractors, coordinates and monitors the improvement schedule, and approves payments. In this way, each piece of work complements the rest of the undertaking.

The housing counselor also enrolls participating families in courses designed to help them with financial literacy and to care for their house, prevent fires, and obtain other basic skills to assist the homeowner to preserve and maintain their home as a structure *and* as an asset. As a result of this assistance, treated homes will be in decent condition, safer and healthier for residents. The combination of weatherization, renovation, social and financial services will lower energy costs, enabling homeowners to better meet their financial requirements to sustain home ownership. Consequently, families can be more secure in their homes, more invested in their neighborhoods, and their homes will increase in value as a result of the quality of repair work.

**Technical Assistance:** Underlying these efforts is a tightly woven support system WRAP provides to each of its pilot agencies (and their program officers) to help them “think outside the box” about funding and linkage opportunities. The purpose of this effort is to help the pilots become self-sufficient beyond the three-year program commitment. Staff assistance helps pilot staff in identifying all appropriate rehab and energy efficiency programs and prospective external funding sources, developing a marketing and outreach strategy to reach eligible households, and preparing a standardized plan for providing quality control and performance testing of standards for building improvements. Furthermore, the economy achieved by creating a pool of specialists and linking them to the agencies through WRAP assures both the capacities for ongoing support and realistic expansion as the program grows in other cities.

## **PILOT MEETINGS/TRAINING SESSIONS**

A key activity of the national program staff is to provide periodic training sessions for local pilot staff to discuss implementation issues, visit program sites and share lessons learned. The meetings alternate between the Ford Foundation headquarters in New York City and pilot program sites. Recent meetings include a planning session for all program staff on January 14 at the Ford Foundation and a training session for WRAP case managers and housing specialists in Philadelphia on June 15.

The meetings covered key topics including: strategies for obtaining matching funds, quality of work issues, and implementation challenges such as coordination among pilot agency departments and programs across federal, state and local agencies. The June 15 meeting was the fourth meeting of the pilot programs since the WRAP Partnership began awarding grants in December 2002. A meeting for project managers and agency directors is planned for the fall, and a meeting of all project staff is planned for January 2005.

## **WRAP COMMITTEES**

**Advisory Committee:** The purpose of the WRAP Advisory Committee is to help guide the program to think creatively about opportunities and challenges to help meet the goals of the Partnership. As the WRAP Partnership matures, the Advisory Committee will help to discuss proposed policies and strategies to sustain low-income homeownership. The Committee met in November to discuss and review the status of the WRAP program. It previously met last July.

One plan under consideration is to organize the next Advisory Committee meeting as part of a forum on sustaining low-income home ownership. The conference would bring together experts, practitioners and elected officials to discuss implementation and policy issues and options regarding low-income homeownership. Members of the Advisory Committee will help develop the agenda and focus of the meeting and serve as moderators at a conference. Members of the Committee include:

Mark Begich, Mayor, Anchorage, Alaska

Jack Betkoski, Commissioner, Connecticut Department of Public Utility Control

Peter Bock, Administrator, Wisconsin Division of Energy

Bob Corker, Mayor, City of Chattanooga

Helena R. Cunningham, President, Louisiana Housing Finance Agency

Alfred A. DelliBovi, President and CEO, Federal Home Loan Bank Board of NY

Jeanne M. Fox, President, New Jersey Board of Public Utilities

Thomas Menino, Mayor, City of Boston

Phil Musser, Deputy Chief of Staff, Secretary Martinez, HUD

Gordon Stewart, President, Insurance Information Institute

Ken Wade, CEO, Neighborhood Reinvestment Corporation

Tim Warfield, Executive Director, National Association of State Community Services Programs.

**WRAP Pilot Program Committee:** As the first year of the program drew to a close, a committee composed of representatives from four pilot agencies, the national staff, and a representative from the evaluation team was established to meet bi-monthly to discuss program issues and policies.

## **FAMILY PROFILES**

Each family situation is different. Families have varying access to resources and savings, while the conditions of the houses and their eligibility for assistance are considerably divergent. Each pilot program develops a family plan and a comprehensive rehab strategy to help the family meet its short- and long-term housing goals. While the objective of the plan is to help the family strengthen and build the asset value of its home, the plan also seeks to help the family make its home more affordable and livable and to strengthen the tools the family needs to sustain home ownership. WRAP families reflect a wide variety of circumstances. Some are in desperate straights due to health problems, limitations due to old age, and similar challenges. Others are restricted mainly by financial circumstances, and exhibit strong independence and community involvement.

The appropriate mix of grants and loans will depend on many factors including the type of resources available in the community to support rehab programs, the extent of the work required to put the property in good working order, and each family's individual financial situation. The following examples show how the local pilots help families achieve their housing objectives. The first example details the specific kinds of rehab made possible by combining resources through the WRAP program.

- A single parent with three children purchased a handyman special that was in foreclosure. After she purchased the home, she began to do her own home improvement but became overwhelmed and unsure of how she would make all the needed repairs to her home. She applied to the WRAP program for help and enrolled the pilot's home maintenance training class. The WRAP pilot was able to put together a rehab package that included \$12,400 grant from the local Home Investment Partnership (HOME) program and \$2,205 in weatherization assistance from their local utility. The pilot completed the following repairs with utility funds:
  - Insulated attic and exterior walls
  - Wrapped approximately 70 feet of heating pipe and a water heater
  - Weather stripped five doors
  - Sealed the kitchen, basement and bathroom bypasses
  - Installed 2 CO detectors and 3 smoke detectors.

The pilot completed the following repairs with HOME funds:

- Replaced approximately 80 feet of concrete walkway to stoop, replaced front stoop with concrete stoop and supplied iron railings to code
- Re-secured and straightened two front support columns on right side of porch
- Installed new 150 AMP service to include new panel box and breakers, single pole switched for overhead lights in dining room, kitchen and two bedrooms
- Repaired leaks on waste line in tub
- Installed a new drop ceiling in back bedroom.

- A WRAP case worker structured a plan for a 56 year-old widow caring for her elderly mother to weatherize their home to reduce energy bills, replace a dangerous failed heating system and rehab the home's basement space to provide a rentable unit to accommodate an adult in a foster care program in order to supplement their income. The total cost of all rehab and weatherization was \$16,850, with \$10,000 provided through a no-interest loan funded by the local Community Development Block Grant (CDBG). Grant funds were provided through federal, state and utility weatherization and energy assistance funds.
- A family with young children owned an 80-year old house that had several structural problems. A worn and leaky roof was causing major safety problems, whose remedy required electrical wiring, plumbing, roof and structural rehab work. WRAP brought together several programs providing attic, wall and pipe insulation, air sealing, refrigerator replacement, roof replacement, and lead abatement. The total cost of the energy services was \$8,886. An additional \$20,000 for lead abatement services was provided by CDGB. The total cost of the project was \$28,886.
- The home of an elderly low-income disabled couple was badly in need of repairs that were beyond their financial means. The front entrance to the home was falling in and unsafe for them to use. The couple was unable to handle the required repairs, including funding the project or dealing with a contractor. The WRAP program helped them complete the necessary repairs and handle all of the details quickly, with CDBG providing \$3,500 in emergency repairs and a HUD lead-abatement grant providing \$448 for lead testing, for a total project cost of \$3,948.

## OBSERVATIONS

The following provides a summary of staff and pilot observations in three areas: general observations; development themes; and credit and tax issues.

**General Observations:** Programs administered by federal and state agencies can provide the types of services low-income families need to maintain their homes and build asset value. Few of the programs were designed to work together, however, and most rely on different local delivery systems and have limited outreach efforts. One of WRAP's challenges is to develop strategies to help support local non-profit agencies in bringing together the various program components to maximize their effectiveness.

One of the most important elements of a successful program is an agency director who has strong ties with state and local program administrators and can use those ties to effectively explain the role of the WRAP pilot and form partnerships with other agencies to deliver program services. An equally important element is an internal agency culture that fosters cooperation rather than empire building.

Two additional factors to consider are whether or not the agency can develop a partnership with a senior state-level official who supports and is willing to advocate on behalf of a more holistic pattern of service delivery, and with a local foundation that sees merit in the type of program being developed.

**Development Themes:** The current program structure of delivering weatherization, home repair, lead abatement, loan assistance, financial counseling, and social services is fragmented among many agencies and delivery networks. The resulting mix of services and agencies is confusing, and even the most organized agencies miss funding opportunities.

The current system of program delivery is also not structured to support a “one-stop” shop approach to help families maintain their homes; rather it is oriented towards niche solutions to individual house problems. The programs have different timelines, assessment requirements, and eligibility requirements and are very costly for a local agency to try to bring together. In fact, one could argue that it appears that programs are designed not to work together, even though the same families are being targeted for assistance.

Several WRAP pilot programs are moving swiftly to form partnership and develop seamless delivery systems. These agencies could well become national models for service delivery. Other pilots are struggling to pull their programs together. The reasons for their difficulties are complex and include bureaucratic barriers, partner agencies that are unwilling to share more than minimal resources, and lack of strong support from state and local sponsors. It is still too early to tell whether or not they will be successful in overcoming these obstacles.

**Credit and Tax Issues:** One of the goals of the WRAP Partnership is to help increase the affordability of home ownership for low-income families. One way to do this is to help them reduce the interest expenses associated with their home mortgages. Another is to identify issues that are draining family resources that can be addressed through social service programs. For example, a family burdened by expenses caused by the care of a disabled member can be directed to assistance that can lessen its financial and emotional load.

Many of the families participating in WRAP pilots have low credit scores and cannot take advantage of refinancing opportunities. For these families, credit counseling is generally recommended to help repair their credit records.

The federal mortgage deduction and real estate tax deduction provide little financial help for most WRAP families; the majority of these families do not have sufficient income or deductions to take advantage of itemization.

## **NATIONAL REPORTS AND MEETINGS**

WRAP is developing a program to inform policymakers about opportunities that exist to link housing and energy programs to a cohesive policy to support low-income home ownership. WRAP staff is developing reports, meeting with government officials and other interested local groups and planning state, regional and national meetings where appropriate. The policy report series will be designed to provide information for federal, state and local decision makers related to the goals of the WRAP Partnership, including:

- Identifying the range of available federal, state and local programs to support housing rehabilitation and energy efficiency in housing;
- Reporting on the lessons learned from the pilot programs;
- Supporting new approaches to raising supplemental funding;
- Developing model programs that can be used by state and local agencies to capture the benefit of linking housing and energy programs; and
- Identifying barriers to creating effective links between housing and energy programs and discussing methods for addressing these barriers.

The first report will discuss the types of programs that support rehab, weatherization and asset building and the federal, state and local barriers that could limit bringing the services together. The second will describe how public benefit programs can support affordable housing. The two reports are being sponsored by the Fannie Mae Foundation and are expected to be completed by September 2004.

## **EVALUATION AND REPORTING**

Pilots submit bi-monthly reports on production, tasks accomplished, challenges, goals, pending and approved funding applications as well as individual house inspection forms that detail the work needed in WRAP homes, what is done, through which programs and the costs.

The University of North Carolina at Chapel Hill is conducting an extensive evaluation of the WRAP Partnership. One of the key questions to be assessed is: What are the most effective practices in fostering housing rehabilitation and in implementing the housing rehabilitation and weatherization programs? The methodology being used by the evaluation includes collecting information on the characteristics of the participating organizations and the services provided to participants, developing a demographic profile of the target neighborhood and the participants and reviewing administrative and management issues involved in operating the demonstration program.

The major individual impacts to be assessed include housing costs, utility payments, homeowner insurance claims and participants' satisfaction with their home and neighborhood. Other factors to be assessed include program impacts on target neighborhoods, including individual property values, value of rehabilitated homes, neighborhood property values, and rehabilitation activity in the area.