

Dear NAHMA Member,

HUD recently issued the following plan which details the Department's design of budget-neutral, performance based agreements in fiscal years 2016 through 2019 that will result in a reduction in energy or water costs at multifamily properties. This program will operate under a Pay for Success financing framework, a strategy wherein the payment by the Government will occur after agreed-upon savings have been achieved and verified by an independent third-party. The implementation plan is attached to this message and is linked to NAHMA.org below.

The Fixing America's Surface Transportation Act (FAST Act) authorized HUD to establish this demonstration, Pay for Success program for up to 20,000 units in the project-based rental assistance (PBRA) program, the Section 202 Housing for the Elderly program, and the Section 811 Housing for Persons with Disabilities program. Under the Pay for Success model, the government specifies concrete, measurable outcomes that it would like to achieve—in this case, reduced water and energy costs—and enters into a contract to pay for these results once they are demonstrated for specific people or communities in need.

The government specifies the desired outcomes for a target population and then selects an intermediary to achieve them. The government will hold the intermediary accountable for these outcomes and only makes payments when a pre-determined performance threshold is achieved. The intermediary is responsible for creating and executing its own plan for implementation, which must include:

- Recruiting investors to provide capital and paying them debt service using success payments provided by the government;
- Engaging and coordinating service providers (in this case, the energy contractors who will perform the retrofits); and
- Retaining a third-party measurement and verification provider to verify outcomes

More information on the Pay for Success model and this demonstration program can be found in HUD's [Implementation Plan](#)

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