

## *Policy Recommendations on Energy Efficiency, Sustainable Housing and Smart Growth*

New England Housing Network  
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Under the Obama Administration HUD has recognized the connections among energy use, smart growth development, affordable housing, jobs, and transportation. USDA Rural Development has recognized energy efficiency as critical to the development of sustainable multi-family rental housing. Some steps have been taken to promote affordable, livable and sustainable communities but much more needs to be done.

The annual energy bill for HUD's housing programs exceeds \$5 billion. The first steps in reducing that bill have been taken with funds made available by the American Recovery and Reinvestment Act, but much more remains to be done at the federal level. Some will require new funding

The New England Housing Network urges HUD, USDA Rural Development, and Congress to consider the following recommendations:

- Congress should pass comprehensive legislation that promotes energy efficiency in affordable housing and meets the following goals:
  - Reduce energy consumption and greenhouse gas emissions in federally assisted housing, with the ultimate target of matching the nation's goal of an 80% reduction in greenhouse gases by 2050.
  - Improve energy efficiency and the comfort level of residents of federally assisted multi-family housing.
  - Reduce operating costs and save money for the owners of such housing and in some cases the federal government.
  - Use the legislation to correct some of the aspects and requirements of other federal programs that work against improving energy efficiency in such multi-family dwellings
  - Expand the use of renewable energy sources.
  - Encourage smart growth locations for affordable housing to reduce transportation related carbon emissions and enhance community vitality.
  - Structure programs so that they work in highly urban and rural areas.
  
- The spike in home heating fuel costs in 2008 raised operating costs well above income. Fuel oil, the predominant source of heat and hot water in much of New England, increased from \$2.40/gallon to over \$4.00/gallon. The cost of fuel went from 10% of project operating costs budget to 20%. Fuel prices temporarily abated in 2010 but are again on the rise. The average price of a gallon of fuel oil in Vermont for April 2011 was \$3.75, an increase of 33% from the previous year. Energy costs will continue to increase—gasoline is expected to rise to \$6/gallon this summer and fuel oil tracks gas prices closely. The savings produced by energy efficiency measures are needed now. Even short term economic savings argue forcefully for funding energy retrofits and conversion to renewals.

- HUD should work now to anticipate the need to react quickly to requests for contract rent and FMR adjustments which incorporate real world fuel costs.
  - Congress should aggressively fund energy efficiency improvements targeted to affordable housing in order to protect such housing against future price shocks.
  - HUD and RD should serve as resource centers for proven energy efficiency technology and protocols. For example, Vermont public funders and nonprofits completed an extensive study of best energy rehab practices for a variety of building types. A *Roadmap for Housing Energy Affordability*, which describes in detail the cost effective deep energy retrofits which are needed to maintain affordability in an era of rapidly escalating energy costs, is an example of the information which should be made widely available.
  - RD's energy loan program is a resource for businesses but not multi-family housing. We recommend that RD expand the definition of businesses to enable owners of multi-family housing to access that resource.
  - HUD and RD should provide leadership and support to PHAs and owners of assisted housing to secure portions of state utility-funded energy efficiency programs. The portion of utility energy efficiency programs which targets multi-family housing varies from state-to-state. The Massachusetts model which sets aside 29% of the retrofit budget for multi-family housing is a model that other states can follow.
  - "Energy performance contracts" offer public housing authorities the opportunity to make energy improvements with funds from sources other than HUD and then using a portion of the savings to pay off the debt and for other eligible expenses. HUD should provide training and contacting assistance so that PHAs—large and small—can take advantage of this key strategy to lower energy costs and redirect savings to other uses.
- Current program practices in the LIHEAP and Weatherization Program present challenges for residents and owners of affordable rental housing to participate. Together they provide critical assistance in paying current fuel bills and in minimizing fuel costs over time by lowering usage.
    - HUD and RD should enter into an MOU with the Department of Health and Human Services to extend full LIHEAP benefits to residents and owners of assisted housing.
    - Screening tools for energy efficiency should consider that the residents of assisted rental housing have very low incomes. Increases in their incomes will not keep pace with the rising energy costs. Therefore, the cost of energy efficiency improvements and fuel switching should be screened on the basis of long-term cost/benefit analyses that assume paybacks over 15-20 years or the life of the measure implemented.
    - Congress should eliminate the provision in statute that prohibits weatherization programs from going back to properties that received weatherization assistance since 1994. Both the technology and need for deeper retrofits have changed significantly since that time and weatherization programs have an important role to play in helping affordable housing developments remain affordable by reducing energy consumption.
  - New England is fortunate to have an abundance of historic buildings, many of which contain affordable rental units. The rehabilitation tax credit, administered by the National Park Service, is an important financial tool for renovation of those buildings while maintaining their historic character. As affordable housing developers have embraced solar collectors, deep retrofits including exterior rigid foam insulation, and window replacement, conflicts with the National Park Service have arisen. Congress should send a clear message to the Park Service that such

energy efficiency measures should be allowed and in fact encouraged on historic properties. HUD, RD, and DOE should develop a MOU with the Dept. of Interior/National Park Service that clarifies this issue and encourages cooperation between the agencies.

- Congress should consider broad legislative initiatives to promote energy efficiency in residential properties. In addition to the ideas outlined above, such initiatives should include but not be limited to:
  - State energy efficiency revolving loan funds.
  - Tax credits for energy and location efficient mortgages.
  - Loan products/mortgage incentives.
  - Loan guarantees for construction of energy efficient dwellings.
  - Rebates for the purchase of ENERGY STAR mobile homes to replace pre-1990 dwellings.
  - Allowing withdrawals from residual receipts and replacement reserve accounts in federally subsidized projects to be used for green retrofits.
  - Require programs that receive federal weatherization funds to spend a proportionate share of those funds on multi-family housing with priority to assisted housing.
  
- HUD and Rural Development should adopt the recommendations contained in the April 2009 report of the Carsey Institute which examined how federal housing and smart growth policies could better meet the needs of northern New England (and, by extension, much of the country). The highlights of the *Affordable Housing and Smart Growth: Policy Recommendations for Northern New England* include:
  - Rehabilitation is a central smart growth strategy, but it is sometimes more expensive per unit than new construction. Federal housing programs should provide additional capital funds for projects which renovate older buildings.
  - The Small City CDBG program should encourage states to adopt smart growth filters to direct funding to communities which have higher density zoning and adequate municipal water and sewer infrastructure.
  - Nonprofit development and ownership of low and moderate income housing offers great value, including long-term affordability. Federal housing programs should support and strengthen that system, including giving priority to nonprofits and nonprofit-controlled entities in all production programs.
  - HUD should target programs to low- and moderate-income households in service-center areas based on need, not on census tracts or other location criteria that exclude small towns or mixed-income neighborhoods. Targeting by location does not work in New England towns where one census tract might include the entire town.