

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

New England Housing Network  
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HUD, under the Obama Administration has recognized the connections among energy use, smart growth development 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 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.
- Climate change legislation and other energy efficiency legislation should target resources to energy improvements in public housing and privately owned federally assisted housing, including LIHTC properties.
  - HUD's Green Retrofit Program and some of the legislation currently before Congress talks about energy retrofits to *subsidized* housing which is narrowly defined and limited to public housing, housing with project based Section 8, HUD 202 and 811, 221(d)(3), 236 and in some cases Rural Development 515 with rental assistance. We would recommend broader eligibility by defining federally *assisted* housing to include not only public housing and housing with project based rental assistance but to also housing that is assisted through capital grants from a variety of federal programs including HOME, CDBG and the low income housing tax credit. This is important because in the past 30 years the federal government has been using capital grants to create affordable housing but those projects usually don't come with rental assistance or an operating subsidy.
  - The cap and invest policy contained in the Northeast Regional Gashouse Initiative (RGGI) is a model which has affordable housing as a top priority. HUD and Rural Development should work with Congress to direct a portion of climate

revenues for energy efficiency improvements and fuel switching to reduce energy use and lower greenhouse gas emissions. This will enhance the sustainability of individual properties while reducing the demand on HUD and RD operating subsidies.

- RD's energy loan program is a resource for businesses but not multi-family housing. We would recommend that RD expand the definition of businesses to enable owners of multi-family housing to access that resource.
- 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 have temporarily abated and the federal housing agencies and Congress should use this time to aggressively finance energy conservation. However, prices will increase as the economy improves.
  - 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.
- Current program practices in the LIHEAP and Weatherization Program present challenges for residents and owners of affordable rental housing to participate.
  - 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.