

Resource Efficient “Affordable” Housing

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There are multiple benefits from improving the resource efficiency of affordable housing. Energy costs consume a disproportionate amount of low income families’ budgets. On average, higher income households spend 3% of their budgets on energy costs, while lower income families spend 20% of their budgets on household energy costs. This energy burden on low income families is up from 15% in 1998.

Low income seniors and children can be particularly sensitive to the health impacts of substandard, energy inefficient housing. Resource efficient housing can reduce the incidence of the common cold, influenza, chronic bronchitis, asthma and other environmentally related ailments.

Reducing energy costs helps to preserve affordable housing through lower operating costs and saves federal housing resources. HUD spends approximately \$7 billion annually to pay for utilities in its assisted housing programs and for utility allowances to voucher holders. Cost savings through energy efficiency improvements would free up resources and allow HUD to better support other housing needs.

PROGRAM SUMMARIES

Efforts to improve the resource efficiency of affordable housing received a boost through economic recovery efforts. The American Recovery and Reinvestment Act (ARRA) provided an additional \$16 billion to the Department of Energy (DOE) and HUD to improve the energy efficiency of existing homes. In general, the recent activity in these programs reflects a new level of cooperation between HUD, DOE, and the Environmental Protection Agency (EPA) on green housing issues. Significant progress has been made towards improving the resource efficiency of multifamily affordable housing as a result of ARRA investments in programs such as the Weatherization Assistance Program (WAP), HUD’s Green Retrofit Program, and public housing capital funds.

Cooperation among the federal agencies has continued post-ARRA. Recently HUD and DOE announced the expansion of the Better Buildings Challenge to include the multifamily residential sector. The Better Buildings Challenge encourages building owners to improve the efficiency of their properties by 20 percent or more by conducting efficiency assessments of their portfolio, implementing a plan to achieve lasting savings, and sharing efficiency performance data and lessons learned to help spur other owners to take action. As of December 2013, more than 50 multifamily residential owners and managers signed on to the challenge. These groups include leading organizations in market rate (unsubsidized) multifamily housing, Public Housing Authorities, Low-Income Housing Tax Credit (LIHTC) properties, and HUD-assisted multifamily properties.

To encourage participation from owners of HUD-assisted properties, HUD has agreed to provide a series of incentives and policy flexibilities to address some of the market and policy barriers that often prevent owners from investing in efficiency improvements. Incentives enumerated by HUD include:

1. Allow Better Building Section 202 and Section 811 PRAC properties to invoice energy savings payments associated with property and tenant utility allowance reduction as an eligible expense to the property's budget;
2. Temporarily offer additional distributions to for-profit and non-profit owners of Section 8 properties;
3. Management fee inclusion of energy/green measures;
4. Expedited approvals for "stand alone" greening in the field;
5. Invite Better Building participants to send HUD proposals if they want to use on-bill repayment;
6. Mark to Market (M2M) waiver amendment to expand the number of properties eligible for increased owner distributions under HUD’s M2M Green Initiative.

In addition to the Better Buildings Challenge, several other federal programs exist to help finance energy efficiency improvements in affordable housing.

Green Refinance Plus. On May 31, 2011 HUD announced the Green Refinance Plus program administered by the Federal Housing Administration (FHA) and Fannie Mae. The program helps owners of rent-restricted multifamily properties to refinance into new mortgages while allowing owners to borrow additional funding to make property improvements that will reduce energy and water use. FHA and Fannie Mae share the risk on the loans to refinance the mortgages. The program is expected to complete \$100 million in loan refinance volume and provide an average of \$150,000 to \$250,000 for improvements per property.

PowerSaver Pilot Program. FHA also launched a new mortgage insurance program aimed at helping homeowners make energy efficiency improvements. FHA is partnering with eighteen national, regional, and local lenders to offer qualified borrowers up to \$25,000 in low-cost loans to make energy-saving improvements to their homes. The program offers a range of eligible improvements including improved insulation, duct sealing, replacement of doors and windows, HVAC systems, water heaters, solar panels, and geothermal systems.

LIHTC program. Federal regulations require state allocation agencies to consider the “the energy efficiency of the project” when choosing which projects will receive an LIHTC allocation. Accordingly, every state agency incentivizes certain specific energy efficient products in their tax credit allocation criteria known as the Qualified Allocation Plan (QAP). However, the level of energy efficiency incentivized by state agencies varies by state. In addition, a number of states do not incentivize other green building improvements such as water conservation measures and measures to reduce exposure to environmental toxins.

FORECAST FOR 2014

Improving the resource efficiency of affordable housing has been shown to have multiple benefits for low income families, local economies, and the environment. Funding through ARRA and innovative new financing pilots has resulted in progress towards addressing the energy efficiency needs of low income housing. However, there remains a significant stock of older affordable housing that is resource inefficient and in need of upgrades. Although 125,000 low income multifamily properties have been weatherized through the HUD-DOE Weatherization Assistance Program (WAP), this amounts to less than 4% of HUD’s public and assisted housing stock. Now that the ARRA program is over, DOE and HUD energy efficiency programs face steep funding cuts or no funding at all. For FY14, the WAP received \$174 million. While this is up from \$35 million from FY13 (under the sequester), it is the lowest funding level since 2000.

TIPS FOR LOCAL SUCCESS

Local advocates can encourage public housing agencies and private owners to pursue green housing in renovation, rehabilitation, and new development projects and make certain they are aware of available resources to implement these improvements.

Additionally, local advocates can pursue non-federal funding sources for residential energy efficiency improvements. For example, private utilities spend nearly \$7 billion annually on energy efficiency improvements in buildings. Advocates should engage with utilities to create programs for multifamily affordable housing. Advocates should also urge their local HUD office to engage with utilities to the same end.

Local advocates also have a role in making certain that residents are included in the planning and implementation of the green aspects of their developments. This will both assure that the proposals benefit residents, and will increase the likelihood that tenants will understand the changes and maximize the efficiency and other benefits, thus increasing the likelihood of success.

Advocates should also reach out to environmental, energy, and transit advocates to find common ground to create a stronger progressive coalition for green communities and to assist in making certain green investments and benefits reach the lowest income households.

WHAT TO SAY TO LEGISLATORS

Advocates should tell their Members of Congress that:

- It is important to support increased green building and energy efficiency requirements in federally assisted housing that do not increase the housing cost burden of low income tenants, limit the usefulness of the properties to the lowest income households, or hinder the preservation of existing units.
- Energy efficiency and other green investments in low income housing will provide considerable public and environmental benefits, as it is likely to be older housing that is in need of maintenance, with tenants and often owners who lack sufficient resources to make their own investments in greening.
- Investments in energy efficiency in programs such as public housing and assisted housing provide an immediate return to the U.S. Treasury by reducing HUD-paid utility costs.

FOR MORE INFORMATION

- National Housing Trust, 202-333-8931, www.nhtinc.org
- EPA's Green Building, www.epa.gov/greenhomes/index.htm
- DOE's Green Building, www.eere.energy.gov/topics/homes.html
- HUD's Green Building, <http://1.usa.gov/13aYjCT>
- Enterprise Community Partners, www.greencommunitiesonline.org
- Global Green USA, www.globalgreen.org
- U.S. Green Building Council, www.usgbc.org