Energy Advocacy

Groups Seek to Expand Funding for Efficiency Improvements in Affordable Housing Properties

By Deron Lovaas, Natural Resources Defense Council and Todd Nedwick, National Housing Trust

Retrofitting affordable multifamily rental housing properties to make them more energy efficient is critically important for building owners and managers. As shown in the graph below, energy consumption is the largest or second-largest category of operating expenses in these kinds of properties.

However, investing in energy efficiency improvements requires capital, which can be difficult to secure in the current era of constrained public budgets.

To address this, the Natural Resources Defense Council (NRDC), National Housing Trust (NHT), the Energy Foundation, Elevate Energy, and New Ecology, Inc. have joined forces to achieve a common goal: boosting utility and state funding available for energy efficiency improvements in multifamily housing properties, particularly affordable housing. We focus specifically on a growing source of funding that has been largely untapped by this market: utility-supported state energy efficiency programs. These programs, operated by utility companies (e.g., electric, gas), provide discounts on efficient appliances, grants for installation of energy-saving improvements (e.g., insulation and windows) and other incentives to support installation of energy-efficiency improvements in commercial and residential properties. Our partnership is active in nine states: California, Illinois, Maryland, Michigan, Minnesota, Missouri, New York, Pennsylvania, and Rhode Island. We will expand to a dozen states comprising more than half of the nation's subsidized housing stock and over four million multifamily apartments.

Seizing an Opportunity

In recent decades, federal and state governments have increased efficiency performance standards for appliances, buildings, lighting, and equipment. Federal stimulus act dollars and an increasing number of state climate action plans and energy efficiency resource standards drive more public and private investment into energy efficiency upgrades. In 2012 alone, states invested $7.2 billion in demand-side management programs (consumer programs that address challenges with delivering adequate power by reducing

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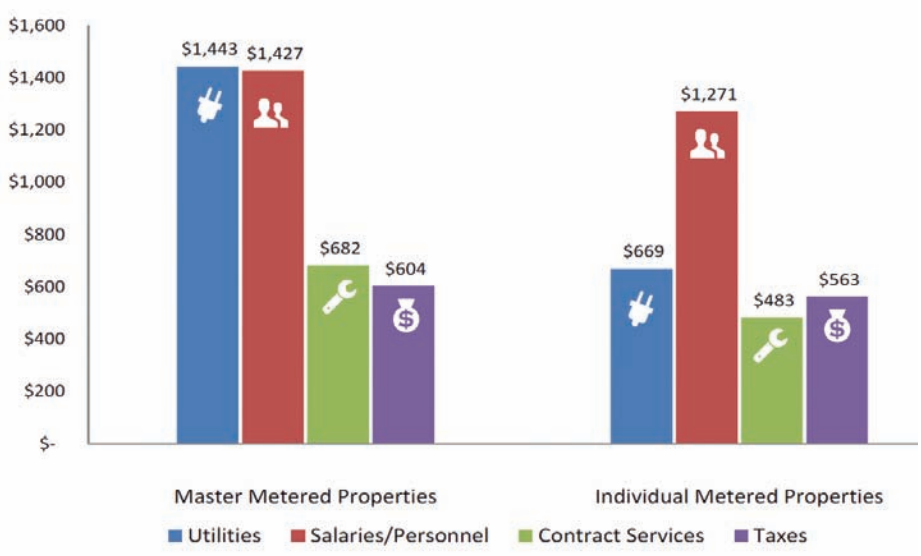
Top four categories of operating expenses per unit in master and individually metered subsidized multifamily housing[1]



[1] Source: Lee, Christopher, 2012 Survey of Operating Income & Expenses in Rental Apartment Communities [Executive Summary] (Arlington, VA: National Apartment Association, 2012). Master metering refers to properties in which multiple dwellers share one meter that determines how much they pay for utilities.

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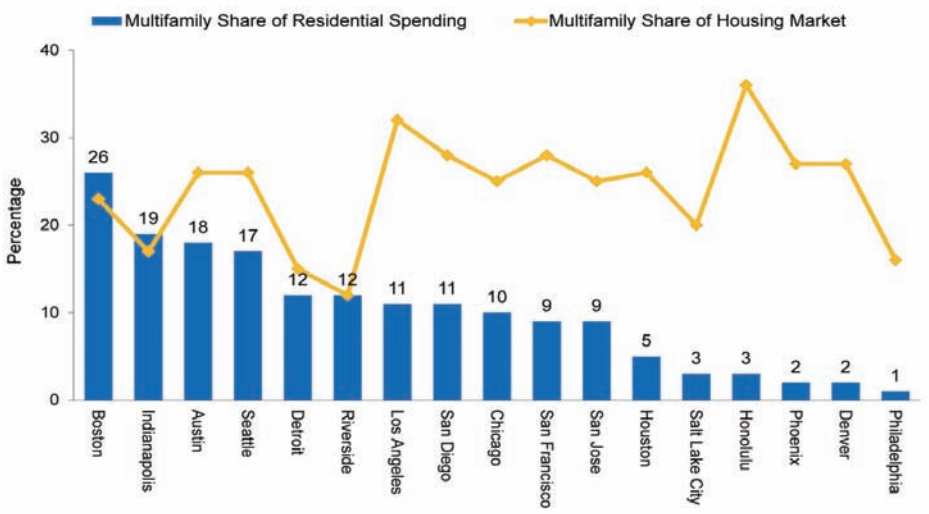
demand vs. increasing energy production), according to the Consortium for Energy Efficiency.

However, federal stimulus dollars for energy efficiency programs and projects are no longer available, leaving a big gap in public investment. This is a huge national problem given remaining untapped opportunities to save energy, as in multifamily housing properties. Retrofitting these assets reduces utility bills for low-income families (which can consume as much as one-fifth of a household budget); preserve affordable housing; and stabilize neighborhoods. Energy upgrades also improve property values and resident health and comfort.

Despite the benefits, investments have lagged relative to other housing. In fact in the vast majority of metropolitan areas, the share of energy efficiency program spending by utilities on multifamily-targeted programs has been less than the actual percentage of multifamily households (see graph at upper right from American Council for an Energy Efficient Economy).

Comparison of 2011 spending on targeted multifamily utility energy efficiency programs to the multifamily share of the housing market [2]



[2] Source: Johnson, Kate and Eric Mackres, American Council for an Energy Efficiency Economy, Scaling Up Multifamily Energy Efficiency Programs: A Metropolitan Area Assessment. 2013. (Note: The graph excludes metro areas with targeted multifamily programs for which spending information was not available at the program level or by building type.)

To close this gap, our coalition is building a constituency supportive of states and utilities interested in more investment in multifamily housing upgrades as well as assisting them with implementation of these programs using best practices. Strategies for addressing barriers and opportunities vary since each state program is different. Generally, we advocate for better regulatory frameworks by influencing rules made by state Public Utility Commissions (PUCs), propose new financing options for lenders and Housing Finance Agencies (HFAs), and perform research and analysis of the marketplace and benefits of efficiency upgrades for use by utilities and state energy offices (SEOs).

Some specific best practices include:

a. Establishing an integrated, one-stop shop either in a state agency or private entity that helps owners and managers design and finance energy efficiency improvements in multifamily housing properties;

b. Combining efficiency improvements for electricity, natural gas, and water efficiency;

c. Addressing the whole building, by making extensive, long-lasting improvements as opposed to just a light bulb here and a window there;

d. Supporting ways for efficiency program staff at utilities to access energy performance data;

e. Developing and manage effective financing tools for efficiency projects.

Achievements in Maryland

Our work in Maryland demonstrates our targeted state approach. The state of Maryland is designing a three-year cycle of efficiency programs for all sectors including residential multifamily managed and funded by five utility companies. These programs implement a 2008 state law mandating a 15% statewide reduction in energy use by 2015.

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The chief overseer is Maryland's Public Service Commission (PSC). In 2011, the PSC designated the state HFA, the Maryland Department of Housing and Community Development (DHCD), to deliver funding for energy efficiency improvements to affordable multifamily housing properties through its Maryland Energy Efficiency and Housing Affordability program (MEEHA). MEEHA has provided grants and direct installation to thousands of housing units so far. Maryland demonstrates how HFAs can actively participate in energy programs. Our partnership has worked with DHCD to identify barriers to effective implementation of MEEHA and to advocate that the PSC adopt policy solutions.

Maryland is just one example where our partnership's team of advocates and experts is already achieving results.

We are also collaborating with established energy efficiency advocates and agencies in Maryland. This includes joining working groups convened by DHCD and the Maryland Energy Administration (MEA) alongside allies from the Sierra Club to the Maryland Affordable Housing Coalition. NRDC has been active in MEA's cost-effectiveness working group, championing means for accounting for the many benefits of upgrading multifamily housing when testing for efficiency measure cost-effectiveness. NRDC, NHT, and Elevate Energy also proposed specific program concepts to the PSC and MEA – specifically the establishment of a one-stop-shop and development of a new financing tool for efficiency upgrades.

Maryland is just one example where our partnership's team of advocates and experts is already achieving results. Our organizations are committed to advancing investments and financing of affordable multifamily energy efficiency upgrades in our dozen target states and beyond. We invite you to work with us to deliver efficiency for all. TCA

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