

Unleashing Utility Resources to Energy Retrofit Affordable Multifamily Housing



UTILITY-FUNDED ENERGY EFFICIENCY PROGRAMS: AN UNTAPPED RESOURCE FOR AFFORDABLE HOUSING

Key Takeaways:

- Utility-funded energy efficiency programs are a significant source of resources for building retrofits that remain largely untapped by the multifamily sector.
- Total nationwide annual spending on utility energy efficiency programs could reach as much as \$12 billion by 2020.
- Reaching under-served markets, such as affordable multifamily housing, will be necessary if utilities are to achieve higher spending and energy savings goals.
- In several states, utilities are partnering with housing agencies and affordable housing owners to help shape and administer successful multifamily retrofit programs.

Energy efficiency upgrades in affordable rental housing are a cost-effective approach to lower operating expenses, maintain affordability for low-income households, reduce carbon emissions, and create healthier, more comfortable living environments for low-income families.

A majority of states implement utility-funded energy efficiency programs, often paid for through charges included in customer utility rates. These programs are a significant and growing source of resources for residential energy retrofits that remain largely untapped by the multifamily sector. Utility energy efficiency program budgets have significantly increased since 2006 and could reach \$12 billion nationwide by 2020.

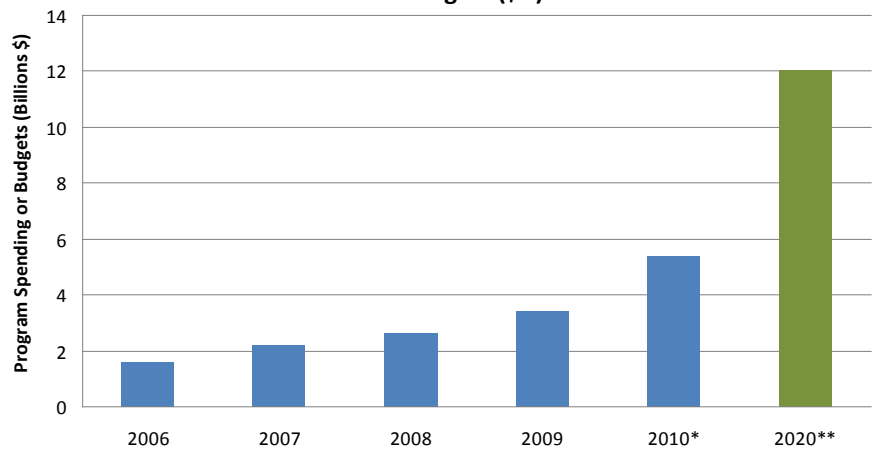
If multifamily energy retrofits are to occur at scale, utilities will need to develop energy efficiency programs that address the unique nature of the multifamily sector. While nationwide data is unavailable, most utility-funded programs typically focus first on single-family and small rental properties rather than multifamily properties (5 units or more).¹

In several states, utilities are partnering with state housing agencies and affordable housing owners to develop successful multifamily energy efficiency retrofit programs.



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U.S. Ratepayer-Funded Electric Efficiency Program Spending or Budgets (\$B)



Total U.S. program spending for years 2006-2009. (Source: ACEEE)

*Total U.S. program budgets for year 2010. (Source: Institute for Electric Efficiency)

**Projected total U.S. program budgets in 2020 according to the Lawrence Berkley Nat'l Laboratory (Source: Institute for Electric Efficiency)

Iowa

In Iowa, a partnership between the Iowa Utilities Board, the Iowa Finance Authority, and investor-owned utilities ensure that low-income renter households have an opportunity to benefit from energy efficiency improvements. Utilities provide enhanced rebates for energy efficiency improvements in project-based Section 8 and Low Income Housing Tax Credit properties, paying up to 40 percent of the cost of the measures.

New Jersey

New Jersey's largest utility, PSE&G, and the New Jersey Housing and Mortgage Finance Agency (NJHMFA) have collaborated to develop an innovative multifamily housing energy retrofit program. PSE&G's Residential Multifamily Housing Program provides upfront interest-free financing and grant incentives to cover the cost of eligible energy efficiency improvements.

PSE&G worked closely with NJHMFA to develop strategies to address the unique needs of affordable multifamily housing. Highlights of the program include the following:

- Incentives eliminate or significantly reduce the owner's contribution to the construction costs. Owners have the option of repaying the zero interest loans through energy savings and on their utility bill.
- Participating owners who may be unfamiliar with how to procure energy efficiency services receive ongoing guidance and technical assistance for soliciting contractor bids.
- To gain access to potential customers, PSE&G relied on NJHMFA's help to reach multifamily owners. The program has been fully subscribed to date.

Massachusetts

In 2009, the owners and operators of affordable multifamily housing in Massachusetts convinced the state's utility companies and other key stakeholders that the existing utility energy efficiency programs did not work for affordable multifamily buildings. At the time, owners of multifamily properties often had to apply completely separately to a utility's residential and commercial programs, as a building could have a mix of master meters (requiring participation in the commercial utility program) and individual tenant meters (requiring participation in the residential utility program). Further, an electric utility's program might address lighting and appliances, but do nothing to address inefficient heating plant or the building envelope. The utilities agreed to consider revising their programs so that multifamily owners could achieve true one-stop shopping and obtain services that would address the full range of efficiency needs in these buildings. The new Low-Income Multifamily Retrofit Energy Program was launched in 2010. The program's electric utility-funded budget for 2011 is \$14 million, and the gas budget is \$8.5 million.

Oregon

In Oregon, the state's housing finance agency- Oregon Housing and Community Services (OHCS)- administers an affordable housing program that is partially funded through proceeds from the state's ratepayer-funded energy efficiency budget. The Housing Development Grant Program (HDGP) provides grants to construct new housing or acquire and rehabilitate existing affordable housing. Between 2009-2011, HDGP funding was used to save and improve nearly 600 HUD subsidized affordable apartments that were at risk of being lost from the state's affordable housing supply.

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References

¹ National Consumer Law Center, "Up the Chimney: How HUD's Inaction Costs Taxpayers Millions and Drives Up Utility Bills for Low-Income Families."