Natural Resources Defense Council
National Housing Trust
Southern Environmental Law Center

September 1, 2017

Scott Farmer
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Submitted by post and email to rentalhelp@nchfa.com

Re: Comments on the North Carolina First Draft 2018 Qualified Allocation Plan

Dear Mr. Farmer,

Thank you for the opportunity to submit comments to the North Carolina Housing Finance Agency (NCHFA) on the Draft 2018 Qualified Allocation Plan (QAP). The comments in this letter are submitted jointly by the Natural Resources Defense Council (NRDC), the National Housing Trust (NHT), and the Southern Environmental Law Center (SELC).

Each of our organizations has worked directly on cost-effective ways to increase and improve energy efficiency investments in affordable housing. NHT is a developer of affordable housing with direct experience developing and operating multi-family properties.

Making LIHTC properties more energy and water efficient delivers great value to residents and owners. Efficiency repairs and improvements are a cost-effective way to make housing more financially stable, reduce energy consumption and expenses, create healthier, more comfortable living environments for residents, and create more valuable properties. It's important for NCHFA to also note that making LIHTC properties more energy and water efficient delivers value to the entire state in the form of a more efficient utility system. We look forward to working with NCHFA to achieve these beneficial outcomes.

We appreciate the steps that NCHFA has already taken to improve the energy efficiency of new construction properties by requiring properties to achieve ENERGY STAR certification. We also support NCHFA's partnership with Advanced Energy to build high performance homes.

One of our primary recommendations, explained below, is that NCHFA should adopt requirements and incentives to extend the benefits of energy and water efficiency to rehabilitation projects. Doing so will advance the efficiency and financial stability of existing properties as part of the LIHTC program.

We encourage NCHFA to consider the following:

1. Update Appendix B "Design Quality Standards and Requirements" ENERGY STAR Certification requirements from ENERGY STAR 2.0 to the current version ENERGY STAR 3.0 and include ENERGY STAR Multifamily High Rise. Strategies for energy and water conservation continue to evolve. The Energy Star Certified Homes Program updated its criteria for certification. NCHFA should update references in Appendix B to Energy Star 3.0 to reflect these updates and changes. In addition, we recommend NCHFA adopt requirements for new construction properties to achieve certification through the ENERGY STAR Multifamily High Rise Program. To the extent there are questions about the cost-effectiveness of any additional development costs to meet the updated standard, we encourage you to consider the EPA's findings that the standards are cost-effective,[1] and note that Duke Energy utilities in North Carolina recently filed for customer rate increases, which if approved would add to the cost-effectiveness of energy-savings features.[2]

2. Require that rehabilitation projects adhere to minimum energy efficiency requirements. Residents of rehabilitated properties supported by tax credits should obtain the benefits of greater energy and water efficiency, not just newly constructed properties. North Carolina should join the many states that encourage, and in some cases, require rehabilitation projects to meet minimum energy efficiency requirements.

One option is to require rehabilitation projects to meet mandatory criteria or the minimum level of certification through a third-party standard like LEED, Enterprise Green Communities, or EarthCraft, which incorporate ENERGY STAR certification or mandatory measures.[3] We estimate that at least 11 states have such requirements. Another option is to require rehabilitation properties to meet minimum performance thresholds over a pre-retrofit baseline. For example,

- The **Arizona Department of Housing** requires rehabilitation projects to achieve a 15% improvement over a pre-renovation baseline, as verified by a RESNET certified HERS rater.

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[1] *Costs and Savings Estimates, ENERGY STAR Certified Homes, Version 3 (Rev. 08),* Report of the Environmental Protection Agency (Oct. 2016) (located online at: www.energystar.gov/ia/partners/bldrs_lenders_raters/downloads/EstimatedCostandSavings.pdf?bb38-8375

[2] "*Your utility bill could go up: Duke Energy Progress seeking 16.7% rate increase*," by John Murawski, Raleigh News & Observer, June 1, 2017.

[3] See *State Strategies to Increase Energy and Water Efficiency in Low Income Housing Tax Credit Properties*, a Report of the Energy Efficiency for All project (located online at: http://energyefficiencyforall.org/sites/default/files/Energy%20Efficiency%20Strategies%20in%20LIHTC%20properties.pdf)

- The **Ohio Housing Finance Agency** requires both new construction and rehabilitation projects to meet the requirements of Enterprise Green Communities, LEED or the National Green Building Standard.

3. Require an energy consultation or audit as a condition of eligibility for rehabilitation projects. An audit can reveal many repairs and improvements that are cost effective – meaning the expected energy savings are greater than the expected project cost over a defined period. We encourage NCHFA to require multifamily rehabilitation project teams to consult an energy efficiency professional or complete an energy audit to identify and consider all cost-effective energy savings opportunities to be included in the property's rehabilitation scope. This approach has been taken in several states, including:

- The **Missouri Housing Development Commission** requires multifamily rehabilitation projects over 12-units seek an energy audit to help owners identify and consider all cost-effective energy savings improvements that could be incorporated into the property's rehabilitation scope.

- The **Kansas Housing Resources Corporation** requires an energy audit be conducted by a pre-approved home energy rater prior to the preparation of the final work rehabilitation order.

- The **Georgia Department of Community Affairs** requires rehabilitation projects to conduct energy audit to identify energy conservation measures that would result in an overall energy savings of 20% or greater over pre-retrofit levels or have a Savings to Investment Ratio (SIR) of 2.0 or greater.

4. Coordinate with North Carolina utilities. We strongly encourage NCHFA to establish regular collaboration with utility companies in the state to support greater energy efficiency in supported properties. A project for collaboration with utilities is to improve how utilities deliver energy usage information so that owners can engage in energy management, make informed decisions about repairs and improvements, and benchmark energy use in properties.[4] Another collaborate project is to identify how utilities can tailor energy efficiency programs and incentives to better reach NCHFA-supported properties.

Many utilities have efficiency programs designed to help owners invest in efficiency repairs and improvements, yet the programs often fail to reach the community of affordable housing owners and developers. NCHFA is well-positioned to help North Carolina utilities improve how their programs reach NCHFA-supported housing, and state housing finance agencies across the country are increasingly working with utility companies to improve energy efficiency programs. Consider, for example:

[4] See *Utility Customer Systems for Landlords*, Report of Energy Efficiency for All (June 2017) (located online at: https://www.nrdc.org/sites/default/files/utility-customer-systems-for-landlords.pdf).

- **Minnesota Housing** and **The Pennsylvania Housing Finance Agency require** developments seeking Housing Credits to submit an Energy Rebate Analysis with their application, detailing a list of utility-sponsored, local, regional, or federal energy efficiency rebate programs for which the property is eligible.

- The **Maryland Department of Housing and Community Development** provides financial assistance to owners through the Multifamily Energy Efficiency and Housing Affordability program which is funded by the state's investor-owned utilities.

- The **Connecticut Housing Finance Agency** requires applicants to submit an Energy Conservation Plan that includes information regarding the applicant's efforts to pursue other energy efficiency-related funding opportunities including utility-sponsored incentive commitments.

5. Explore benchmarking the energy and water use of LIHTC properties. Frequently, energy is the greatest variable operating cost in affordable housing, materially affecting both owners and residents. Benchmarking can assist owners with ongoing monitoring of a property's energy and water use. A recent study by the U.S. Environmental Protection Agency found that organizations that benchmark energy and water consumption consistently have achieved average energy savings of 2.4% per year.[5] Benchmarking also helps owners make data-driven decisions about energy and water efficiency investments. For HFAs, benchmarking can help ensure that the properties in which they invest stand the test of time and inform future energy and water efficiency policies and priorities.

- The **Illinois Housing Development Authority** requires properties to collect and monitor project performance data on energy, water and healthy living environments. Projects are required to provide IHDA with access to the performance data annually for a five-year period through the IHDA Utility Release Form submitted prior to final closing and/or the EPA's Portfolio Manager.

- **The New Jersey Housing and Mortgage Finance Authority** awards additional points in its QAP to developers who commit to participate in its benchmarking initiative. Developers are eligible to receive the points if they submit a signed energy benchmarking utility release form for all common meters (gas, oil, and electric, etc.), provide certain project data (square footage per building, mechanical systems installed, etc.), and signed energy benchmarking utility release forms for a minimum of 75% of tenants.

6. Encourage or require Energy Star qualified clothes washers and dryers both in-unit and common area laundry rooms. Clothes washers are responsible for about 20% of all indoor residential water use. A new ENERGY STAR washer can substantially reduce both water and energy use, often reducing by half

[5] *ENERGY STAR DataTrends: Benchmarking and Energy Savings*, Report of the U.S. Environmental Protection Agency (2012) (located online: https://www.energystar.gov/buildings/tools-and-resources/datatrends-benchmarking-and-energy-savings).

compared to the most common types of machines in use today.[6] ENERGY STAR criteria apply to both water and energy consumption, so all qualified products should deliver substantial reductions in both energy use and water. Machines are available in a variety of formats, including ADA compliant units.

- The **Georgia Department of Community Affairs** requires ENERGY STAR laundry machines provided by owners in units and in community laundry facilities.

The Natural Resources Defense Council, the National Housing Trust, and the Southern Environmental Law Center commend the North Carolina Housing Finance Agency for its support of energy efficiency, and we appreciate the opportunity to provide comments on the Draft QAP. If you have any questions about these comments, please do not hesitate to contact any of us. You may reach Philip Henderson at NRDC at phenderson@nrdc.org or at 202-289-2383, Dana Bartolomei at NHT at Dbartolomei@nhtinc.org, and David Neal at SELC at dneal@selcnc.org.

Sincerely,

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[6] See *Efficiency Opportunities in Multifamily Common Area Laundry Facilities*, Report of SAHF and EEFA (2017). Located online at www.nrdc.org/sites/default/files/efficiency-common-laundry-areas-sahf-20170327.pdf