August 26, 2020

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

Submitted by email to rentalhelp@nchfa.com

Re: Comments on the North Carolina First Draft 2021 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 2021 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 North Carolina Justice Center (NCJC).

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 multifamily properties.

Making Low Income Housing Tax Credit (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, and create healthier, more comfortable living environments for residents. Making LIHTC properties more energy and water efficient also delivers value to the entire state in the form of a more efficient and less costly utility system. We look forward to working with NCHFA to achieve these beneficial outcomes.

We are encouraged to see NCHFA will require new construction properties to achieve certification through the ENERGY STAR Multifamily New Construction program certification.

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

We encourage NCHFA to consider the following:

1. Undertake a study to identify strategies to improve the energy and water efficiency, and health of NCHFA-supported properties. In addition to moving to incorporating the most recent version of ENERGY STAR certification, NCHFA should also explore opportunities to offer points for additional energy efficiency, water efficiency, green and high-performance measures, ratings and certification programs that go beyond ENERGY STAR certification. This could include an evaluation of some of the approaches we outline below.

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 standards.

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. At least 11 states have such requirements.[1] Another option is to require rehabilitation properties to meet minimum performance thresholds over a pre-retrofit baseline. For example,

a) The **Delaware State Housing Authority** awards three base points for achieving a third-party green building standard (Enterprise Green Communities, NGBS or LEED) and then acquisition/rehab projects can receive an additional two points for a HERS index of 75 or less.
b) The **Pennsylvania Housing Finance Agency** awards five points to developments that exceed the requirements of ENERGY STAR Version 3.0 by achieving a lower HERS Index.
    - For substantial rehab, this is set at:
        - 70 or less for 100% electric buildings and
        - 60 or less for buildings utilizing gas (without solar PV)
    - For preservation (moderate rehab) this is set at:
        - 80 or less for 100% electric buildings and
        - 75 or less for buildings utilizing gas (without solar PV)
c) The **Ohio Housing Finance Agency** requires both new construction and rehabilitation projects to obtain one of the following standards appropriate for the type of construction and level of rehabilitation: Energy Star Performance or Prescriptive Path applicable to the development type, 2015 Enterprise Green Communities, Ohio Enterprise Community Partners Green Limited Scope Rehabilitation Overlay, LEED Silver, or National Green Building Standard.

3. Require an energy consultation, needs assessment, or energy 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

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[1] 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: https://www.energyefficiencyforall.org/resources/state-strategies-to-increase-energy-efficiency-in-low-income-housing-tax-credit-properties/)

rehabilitation scope. A similar requirement has been adopted successfully by Fannie Mae in its multifamily product financing energy related repairs and improvements. This approach has been taken in several states, including:

a) The **Missouri Housing Development Commission** requires multifamily rehabilitation projects over 12-units conduct 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.

b) The **Georgia Department of Community Affairs** requires rehabilitation projects to conduct an 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 providers 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.[2] 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. As an example, Duke Energy Carolinas began offering its New Construction Energy Efficiency Design Assistance program to multifamily properties in 2019. NCEEDA is designed to help owners evaluate whole-building energy efficiency opportunities early in the design phase to incorporate cost-effective strategies likely at a lower cost to owners. NCHFA should connect owners with utility program managers at the time of application.

In addition, 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:

- **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 **Connecticut Housing Finance Agency** requires applicants to submit an Energy Conservation Plan that includes information regarding the applicant's efforts to pursue

[2] 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).

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 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.[3] Benchmarking also helps owners make data-driven decisions about energy and water efficiency investments. In addition, a benchmarking score allows owners of multifamily affordable housing properties to access financial products that make it easier to invest in energy efficiency. Fannie Mae, Freddie Mac, and HUD-FHA call on owners to monitor whole building data as part of their green financing programs and provide improved loan terms for properties who meet a projected energy savings threshold.

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. With the state of North Carolina demonstrating a continued commitment to reducing its carbon footprint, as evidenced by Governor Roy Cooper's Executive Order 80 and the Clean Energy Plan, benchmarking gives NCHFA an opportunity to begin to calculate its carbon footprint. In the event NCHFA is tasked with calculating its carbon footprint, the agency would be poised to provide such data if benchmarking was in place. Benchmarking may also assist LIHTC projects/developers in being able to track their project footprints should they be required to by other agencies or at the local level.

a) The **Delaware State Housing Authority** requires applicants to use a utility benchmarking service for all owner-paid utility accounts and a sample of tenant-paid utility accounts for a minimum of fifteen years and make all information accessible to DSHA annually.

b) **The New Jersey Housing and Mortgage Finance Authority** awards additional points 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.

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[3] *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).

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 consumption by half compared to the most common types of machines in use today.[4] ENERGY STAR criteria apply to both water and energy consumption, so all qualified products should deliver substantial reductions in both energy and water use. Machines are available in a variety of formats, including ADA compliant units.

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

7. Enhance the role of Diversity, Equity, and Inclusion in QAP policies and processes. NCHFA should consider adopting goals and QAP policies to advance diversity, equity, and inclusion. One goal of the Oregon Housing and Community Services' 2019 QAP is to reflect the priorities, goals and strategies in the Oregon Statewide Housing Plan, which includes equity and racial justice with the following strategies:

- Adopt an approach to advancing equity and racial justice, informed by national promising practices and lived experience of communities of color.
- Improve OHCS's ability to track, analyze, and measure performance and progress towards equity goals through standardization of data collection and enhancing data analysis of program utilization.
- Provide statewide leadership by using OHCS's Internal Diversity, Equity and Inclusion Committee to solicit and adopt a Diversity, Equity and Inclusion framework as a piece of the core value system of the agency and to serve as a model for the state.

To operationalize this goal, the 2019 Draft QAP includes language requiring both 4% and 9% LIHTC applicants to sign a Diversity, Equity, and Inclusion (DEI) Agreement. This agreement commits the organization to doing work and reflection to enhance diversity, equity, and inclusion practices.

8. Consider applying new tenant screening guidance to reduce barriers to securing housing faced by certain types of applicants with criminal records. This is an area with racial equity implications that is garnering increased attention from housing finance agencies and where NCHFA could issue additional guidance. For example,

a) The **Florida Housing Finance Corporation** awards points for outlining an approach to tenant application and screening that lowers barriers to tenancy. The application and screening process must account for conditions in employment, credit, income, criminal and rental history that affect an applicant's ability to meet traditional requirements for tenancy in safe and decent rental housing. The approach must address tenant screening policies that improve a prospective tenant's opportunity to qualify for tenancy and application policies that improve a prospective tenant's ability to access rental housing

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[4] 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

by reducing barriers such as application fees, security deposits, and other related move-in fees.

The Natural Resources Defense Council, the National Housing Trust, and the North Carolina Justice 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.

Sincerely,

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