May 28, 2015

Judith Judson, Chair  
Energy Efficiency Advisory Council  
Commissioner  
MA Dept. of Energy Resources  
100 Cambridge St., Suite 1020  
Boston, MA 02114

Re: Draft 2016 - 2018 Efficiency Plan

Dear Commissioner Judson:

I am writing to comment on the Draft 2016-2018 Efficiency Plan submitted by the Program Administrators.

On March 3, 2015, the Commonwealth's affordable housing funding agencies — the Department of Housing and Community Development, MassDevelopment, Massachusetts Housing Partnership, Community Economic Development Corporation and MassHousing -- submitted a set of recommendations to the Energy Efficiency Advisory Council (copy attached). The recommendations were developed jointly by the agencies and focused on developing an initiative within the C&I program that would provide a coherent and practical framework for serving the inventory of affordable multi-family housing units represented in our pipeline, estimated to be over 7,000 units each of the next 3 years.

We were very pleased that the EEAC supported the direction of our recommendations in the March 31st resolution setting out its priorities for the 2016-2018 Energy Efficiency Plan (Item 28.g), and were excited about the potential to work with the utilities to craft a response that would serve our shared goals of maximizing energy savings and advancing the objectives of the Green Communities Act. We are extremely disappointed, therefore, that the Draft 2016-2018 Efficiency Plan fails to address, in any
manner, our proposal or the EEAC recommendation. We urge the EEAC to require that the three year plan incorporate a requirement to engage with the Commonwealth’s housing agencies as set forth in the resolution referenced above.

Thank you for the opportunity to comment.

Sincerely,

Deborah J. Goddard
Managing Director for Policy and Program Development

Cc: Alana Murphy, DHCD
    Elizabeth Glynn, LISC
    William Brauner, CEDAC
    Mark Curtiss, MHP
    Anthony Fracasso, MassDevelopment
March 3, 2015

Dan Burgess, Chair
Energy Efficiency Advisory Council
Acting Commissioner
Dept. of Energy Resources
100 Cambridge St., Suite 1020
Boston, MA 02114

Re: Third Statewide Three-Year Energy Efficiency Investment Plans, Years 2016 through 2018

Dear Mr. Burgess:

This letter is submitted to the Energy Efficiency Advisory Council (EEAC or Council) in response to the Council’s solicitation of input from stakeholders and policy makers regarding the development of the Energy Efficiency Investment Plans for Years 2016 – 2018. The signatories to this letter, the Department of Housing and Community Development, MassHousing, the Massachusetts Housing Partnership, MassDevelopment, and the Community Economic Development Assistance Corporation, represent the Commonwealth’s affordable housing funding agencies. We have worked collaboratively to develop these recommendations with the goal of dramatically increasing energy savings in the affordable multi-family housing sector.

The multi-family housing sector is comprised of a variety of building types, with differences in scale and ownership models: duplex townhouses to high rises, sites of several units to several hundred, single site owners to portfolio owners. Likewise, the definition of “affordable” differs widely across state and federal funding programs. As a result, with respect to the utility ratepayer funding programs, affordable multi-family housing spans the multi-family, residential, low income, and commercial market segments. This results in a fragmentation of the energy efficiency programs for the affordable multi-family housing industry, creating uneven availability and predictability across the spectrum of affordable multi-family housing. The LIMF program, operated through the LEAN structure, is the one program specifically targeted to affordable housing, but while it is very appropriate for small-scale multifamily sites and mid-life cycle retrofits, it is not well-suited to the larger commercial affordable multi-family sector, particularly at the point of initial financing or major refinancing.

As the Commonwealth’s affordable housing lenders, we expect to finance over 7,000 units of affordable multi-family housing each of the next 3 years, close to 5,000 in rehabilitation and the remainder in new construction. The many missed opportunities to capture energy savings within this pipeline pose a significant disservice to our shared goal of greening affordable multifamily housing, and undermine the goal of these programs to meet the Massachusetts Green Communities Act (GCA) mandate that the utility companies administer programs “provide for the acquisition of all available energy efficiency and
demand reduction resources that are cost effective or less expensive than supply." (M.G.L. Ch. Chapter 25, §21 (b)(1); Emphasis added.)

Against this backdrop, to better serve the objectives of GCA and the affordable multi-family housing supported by the Commonwealth, we are suggesting that an initiative for the commercial affordable multi-family housing industry be created that is dedicated to providing a coherent and practical framework for serving this sizable inventory of affordable housing units. Since these affordable housing developments generally use commercial accounts, an initiative integrated into the C&I sector is appropriate, and it should be targeted to affordable multi-family housing developments that serve low- and moderate-income households. Our proposed Low/Mod Initiative would operate within programmatic terms designed to work in sync with conventional recapitalization and refinancing transactions as well as financing for new construction, and it would help to dramatically increase the performance of the C&I program. In particular, we recommend that the Low/Mod Initiative embrace the following parameters:

a. “Low- and Moderate-Income” is defined as housing in which not less than 20% of the units serve households with incomes not greater than 80% of area median income. This standard for “affordable” housing was established by the Legislature in the authorizing statute for MassHousing and would capture the inventory of affordable multi-family housing supported by state and federal resources.

b. The full complement of financial incentives should be available to owners at the point of a moderate rehabilitation. This would allow for a whole building approach that permits the owner to incorporate deeper greening elements than is practical at mid-life cycle.

c. The capital work related to the incentives should be incorporated into the owner’s mod rehab scope of work and undertaken by the owner’s contractor. Currently, in recognition of normal owner/contractor practice, some projects have occurred outside of the direct install approach. Rather than require “workarounds”, the program for multi-family housing should work within the industry norms. This would be a more attractive program for conventional owners and create efficiencies in the implementation of the greening strategies.

d. The funding should be integrated into the subsidy allocation process in partnership with the Commonwealth’s affordable housing agencies. This would permit the timing of utility ratepayer incentives to be coordinated with the owner’s rehab or refinancing transaction. The increased predictability of the funding would significantly enhance the program’s ability to capture all available energy efficiency, and to deepen each project’s savings. Currently, absent this predictability, a large number of owners are not applying for the rate payer utility incentives, and, consequently, are foregoing the greening strategies attached to the funds. To the extent that owners do incorporate greening strategies into their rehab project and apply for the incentives, the funds generally are received after the project’s financial closing, by which point the Commonwealth’s housing subsidies have been awarded and disbursed to pay for the improvements.

We appreciate your consideration of our recommendation. We believe that it represents a significant opportunity for the utilities to meet their goals and for the Commonwealth to advance its environmental
sustainability objectives as reflected in GCA. Additionally, enhancing the opportunity for the owners represented by this pipeline to more fully participate in the utility ratepayer incentives presents a valuable resource for supporting the greening of housing that serves low and moderate income households in the Commonwealth.

Clearly, there is work to be done to flesh out this proposal and we are ready to work with the EEAC and the utilities to develop a feasible and effective Low/Mod Initiative. Should you have any questions about the information or recommendations contained in this letter, please do not hesitate to contact Deborah Goddard, Managing Director for Policy & Program Development at MassHousing (dgoddard@masshousing.com, 617-854-1112).

Sincerely,

Chrystal Kornegay
Undersecretary
Department of Housing and Community Development

Clark L. Ziegler
Executive Director
Massachusetts Housing Partnership

Marty Jones
President and CEO
MassDevelopment

Thomas R. Gleason
Executive Director
MassHousing

Roger Herzog
Executive Director
Community Economic Development Assistance Corporation

cc: Steve Venezia, Deputy General Counsel
    Alana Murphy, DHCD
    Elizabeth Glynn, LISC