



Massachusetts Housing Finance Agency
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March 6th, 2019

Energy Efficiency Advisory Council
c/o Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Final Passive House Incentive Amounts

Dear Massachusetts Energy Efficiency Advisory Council:

Thank you for your strong efforts in making an incentive program for Passive House a reality. As the affordable housing development community struggles with increasing costs to bring quality affordable housing units to the residents of the Commonwealth, it is paramount that new incentive programs such as the proposed Passive House Incentive Program by the EEAC are given the nourishment necessary to be of value to our industry. As such, MassHousing supports the recommended increases in Passive House incentive amounts as outlined in the attached letter by Local Initiatives Support Corporation (LISC), Massachusetts Association of Community Development Corporations (MACDC), and Citizens' Housing & Planning Association (CHAPA).

Respectfully,

Zan Bross
Manager, Design and Construction, Rental Underwriting Division

Attachments:

Support letter to EEAC from LISC, MACDC, and CHAPA, dated 22 February, 2019



February 22, 2019

Energy Efficiency Advisory Council
c/o Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: Final Passive House Incentive Amounts

Dear Massachusetts Energy Efficiency Advisory Council:

Local Initiatives Support Corporation (LISC) Boston, Massachusetts Association of Community Development Corporations (MACDC), and Citizens' Housing & Planning Association (CHAPA) wants to congratulate and thank the EEAC for including a meaningful Passive House Incentive program in the current Three-Year Plan. We understand that the actual incentive amounts are being finalized now so that they can be announced by the middle of March, substantially ahead of the once predicted timeframe of June. This is very good news. The sooner the final program details are in place, the sooner developers can begin to seriously factor these incentives into their budgets for new projects. However, we are concerned that the final incentive amounts being considered may fall substantially short of the amounts needed to generate significant participation in the program. This Three-Year Plan needs to be the catalyst to spark the development community into adopting Passive House so that, by the end of 2021, real performance data can begin to substantiate the tremendous energy savings that Passive House will bring.

We understand that the incentive amounts being considered are very similar to the amounts that were discussed at the Mass Save Passive House Stakeholders Workshop on July 19, 2018. At that time, LISC and many others advised that the projected incentive amounts of \$1,400 to \$1,800 per unit were too low, especially in comparison to the average incentives earned by typical high performing buildings. Furthermore, everyone agreed that a Passive House building would save significantly more energy than predicted by the eQuest or Energy Plus models, which would be used to calculate the Performance Incentive. While it was suggested that an incentive program based upon Non Energy Benefits might offer more flexibility and allow the program to target at least the \$3,500 per unit rebate that the successful NYSERDA program used, instead a Certification Subsidy "add-on" was built into the proposed Passive House Incentive program. This add-on is now the only tool that Mass Save has to increase the total per unit incentive up to \$4,000 per unit, the minimum level that we expect is necessary to incent meaningful participation in the program.

For comparison, the MassCEC Passive House Design Challenge pilot program offered \$4,000 per unit and the response from the affordable development community has been very positive. It is worth putting this incentive amount into perspective. Although we believe that three years from now, after many Passive House projects have been built, the cost premiums associated with Passive House will fall, possibly to parity with code minimum construction, we must recognize that the construction industry tends to add premiums for anything new that is perceived as a risk. The MassCEC pilot program aims to demonstrate that these current premiums can be kept within 3%. Across the



Commonwealth, the typical multifamily affordable housing unit costs between \$250,000 and \$350,000, and often higher in Greater Boston. Thus, a 3% premium equals \$7,500 to \$10,500 per unit, and a \$4,000 per unit incentive would provide only 38% to 53% of the premium incurred. Using the same assumptions, the proposed amounts of \$1,400 to \$1,800 per unit would represent only 13% to 24% of the premium incurred.

Targeting a Passive House incentive of \$4,000 per unit is needed to make this program a success, and we urge you to size the certification adder to reach this goal. If less, the affordable housing sector will be forced to rely on increasingly scarce housing subsidy resources alone to further the Commonwealth’s twin goals of affordable and energy efficient housing. We look forward to receiving the final incentive numbers, and appreciate your growing support of high performance Passive House new construction in Massachusetts’ affordable housing sector and beyond.

Sincerely,

Karen E. Kelleher
Executive Director, LISC Boston

Joe Kriesberg
President and CEO, Massachusetts Association of
Community Development Corporations (MACDC)

Rachel Heller
CEO, Citizens’ Housing & Planning Association
(CHAPA)

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Local Initiatives Support Corporation (LISC) is a national nonprofit working to forge resilient and inclusive communities of opportunity in the US; great places to live, work, visit, do business, and raise families. LISC Boston’s Green Retrofit Initiative helps affordable housing owners and property management companies implement energy efficient and clean energy technology, transition to safer cleaning products and pest management techniques, and go smoke-free in their buildings. Since 2010, we have worked with over 50 owners and managers statewide to track energy performance of at least 17,000 units through benchmarking, undergo energy retrofits in 5,000+ units, and leverage over \$17 million.

Massachusetts Association of Community Development Corporations (MACDC) is an association of 88 community development organizations creating places where ALL people can live with dignity while participating in and benefiting from our economy.

Citizen’s Housing and Planning Association (CHAPA) is the nonprofit umbrella organization for affordable housing and community development throughout Massachusetts.

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