

October 16, 2019

From: Hank Keating, AIA, PHMass Board

Re: Low-Rise Passive House Incentive Program for single family and buildings 3 stories or less

We last offered public comment regarding the Passive House Incentive plans on July 23<sup>rd</sup>. At that time we congratulated the EEAC and Mass Save for getting the 4 stories and up (High-Rise) Passive house Incentive Program in place and we urged you to accelerate the rollout of Low-Rise incentive program for single family and multifamily projects under 4 stories high. It appears as if this acceleration did not happen and the rollout is still scheduled for mid to late 4<sup>th</sup> quarter 2019. This is very unfortunate because DHCD, as predicted, has just announced their NOFA for their annual full funding competition for Low Income Housing Tax Credit funds. Pre-applications are due on November 25, and those projects invited to submit a full application will have to submit it on February 20, 2020. To put this annual opportunity into perspective, last year's funding round provided \$118 million to support the construction and preservation of 1,349 affordable homes.

DHCD has just announced revisions to their project scoring system (the QAP) and for the first time they offer 5 additional points for certified Passive House projects. This revision has been in the works for just under two years. Now it is here, but it looks as if any affordable, non-master metered, low-rise project will not have the benefit of including a Mass Save Passive House Incentive in their financial pro forma for this funding round. This essentially means that a full year is lost with the next pre-apps due in November 2020 and final apps due on February 2021, the same year that the current Three-Year expires!

On November 6<sup>th</sup> Governor Baker will be announcing the six affordable Passive House projects that have secured funding through the MassCEC Passive House Challenge program. Of these, two are low-rise projects. This program demonstrated the kind of demand there is within the affordable housing development community for incentives to undertake Passive House projects.

Is there anything that can be done to rollout a Mass Save Low-Rise Passive House Incentive in time for developers to include it in their upcoming Pre- Applications to DHCD?

We understand that the NMR Group has submitted their final draft report with recommendations, but by the time it is reviewed, accepted and a Low-Rise Passive House Incentive plan is available, it will be at least late November, some predict later. We also understand that the expectation is that the Low-Rise Passive House Incentives per unit may be more substantial than the High-Rise Incentives. If this is the case, could Mass Save make a public announcement within the next two weeks that there will be a Low-Rise Passive House Incentive Program in place by the end of the year and that the incentive amounts will be equal to or greater than the High-Rise program? This would allow affordable housing developers to at least "pencil in" some incentive amounts and give DHCD the confidence the program will be in place by the time the Final Applications are due in February. If this idea is at all possible, the perfect time and place to announce this would be at the Passive House Symposium on October 23<sup>rd</sup> where ICF and Eversource are doing an in-depth presentation of the High-Rise Passive House Incentive Program.

We understand from the NMR Final Interim report dated June 23, 2019 that they suggested that "The PAs should consider offering initial overall incentives in the range of \$5000 to \$10,000 per unit..." Vs the \$3250+/- incentive finally decided upon. We also understand that the PAs were on the verge of

announcing a much smaller per unit incentive amount in the middle of March 2019, but were persuaded to re-examine the offer. Obviously we don't have all the information as to how the High-Rise per unit was finally decided upon, but it feels as if the PAs have leeway in determining these final incentive amounts.

The MassCEC Passive House Challenge pilot program offered \$4000/ unit and the response from the affordable development community was 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 even to parity with code minimum construction, we must recognize that the construction industry always adds premiums for anything new that is perceived as a risk. The MassCEC 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+ depending upon where they are being constructed. So a 3% premium equals \$7500 to \$10,500 and a \$4000 per unit incentive only provides 53% to 38% of the premium incurred.

We understand that the Low-Rise Incentive Program will also include single family homes. These are entirely different from Low-Rise multifamily. If you need more time to develop the single family offering, we would urge you to put it off a little further and concentrate on the Low-Rise multifamily offering.

We understand that since the rollout of the High-Rise Passive House Incentive Program over 25 projects have registered with Mass Save to take the initial steps of the program. This is great news! Not all of these will produce a certified Passive House project, but many will and chances are very good that those that don't go all the way will still produce more energy efficient projects that they would have otherwise.

On another topic, we are pleased to confirm that PHMass has a signed contract with ICF to curate, deploy and administer Passive House trainings over the rest of the Three-Year Plan.

\*At the end of this week we will have completed five Passive House 101 workshops and one Passive house 201 workshop

\* We have completed a PHIUS CPHC certification training for over 20 professionals

\* We have a 2 ½ hour in depth workshop "The Passive House Design Manual" scheduled for October 18<sup>th</sup> where registration exceeded the 100 seats available at the Federal Reserve venue and we moved it to a venue that can accommodate 175

\*We have our full day Passive House Massachusetts Symposium on October 23<sup>rd</sup> where the wrap-up session will be a presentation of the Mass Save High-Rise PH Incentive Program given by Mark Pignatelli from ICF and Brendan Giza-Sisson from Eversource.

\*Beginning in the 1<sup>st</sup> Qtr of next year we will have many more trainings lined up for the full range of professionals involved in planning passive house projects.

In conclusion, there is a lot of very good news regarding the potential of this Three-Year Plan to really jump start Passive House developments in Massachusetts. We once again hope that you can find some

way to dramatically accelerate the announcement of a non-master metered Low-Rise, multifamily Passive House Incentive Program.

Thank you.