

September 19, 2018

From Hank Keating, AIA, PHMA Board

To: EEAC

RE: Funding for suggested Passive House Incentive program outlined in 9/13/18 memo

Since the 9/13/18 memo regarding a suggested incentive program for multifamily passive house projects in the Final 3 Year Plan, we have given additional thought to quantifying the amount of funding that should be allocated for these programs in the Plan.

We have requested \$1M for passive house (PH) training and believe that is a good amount and will be critical in accelerating the adoption of PH in both the affordable and market rate markets. PHMA is sponsoring a PH Builder's training at the end of September and it was sold out immediately leaving a waiting list. We need more and different trainings and training for trainers so that we can meet the demand. PHMA is ready to develop the trainings needed and even has a training space in Newton for this purpose.

Originally we requested \$5M for affordable PH projects and then we followed up with the request for an additional \$5M for market rate PH projects. Following that, at one point we suggested that the combined markets could absorb much more than the \$10M, perhaps up to \$30M. We have reviewed these numbers in the context of the Comprehensive Custom Measures plan we suggested on 9/13/18 and realized the original ask for \$5M for affordable and \$5M for market rate was very realistic.

Here is how we arrived at these numbers:

MassCEC just issued an RFP for their Passive House Challenge program that is offering an incentive of \$4000/unit for certified, affordable PH projects. All indications are that the response from the affordable housing developers will exceed the one-time \$1.8M allocation within the first month of the RFP being available. This in conjunction with LIHTC funding from DHCD will produce 400+ affordable PH units. The demand is there!

DHCD funds approximately 1300 new affordable units each year. If 400 of those were PH projects, they could produce 1200 PH units during the 3 Year Plan. It seems reasonable to assume that market rate developers could produce a similar demand for 400 PH units per year, 1200 units over the 3 Year Plan.

So, the math produces $1200 + 1200 = 2400 \times \$3500 = \$8,400,000$. for the Comprehensive Custom Measures.

In addition, similar to the C&I Whole Buildings Solutions that funds Charrettes, Design Team Incentives and Modelling expenses, we are suggesting that these critical upfront expenses be compensated as they occur. The compensation amounts for these categories is not specific and often related to modelled savings. This gets us back into the questions we raised in our 7/31/18 and 9/13/18 memos regarding the compatibility of the eQuest and/or Energy Plus models with the accepted PH models. Rather than trying to resolve the variances, we think that you ought to simply assign reasonable values to these tasks. We are suggesting \$7500 for the Charrette, \$10,000 for the Design Team incentive and \$8,000 for the modelling. These total \$25,500. per project. If we assume that the average multifamily project is 60 units then the math for the upfront payments is as follows:

2400 unit divided by 60 units / project = 40 projects at \$25,500. / project = \$1,020,000. upfront payments

\$8,400,000 for Comprehensive Custom Measures + \$1,020,000 for upfront incentive payments = \$9,420,000. Reasonable to round to \$10M, \$11M with training. This would be a very modest allocation within the 3 Year Plan and we sincerely believe that it will open the path to “mining savings from more difficult, costly and challenging projects and market segments”.

We hope that this level of detail regarding suggested funding will facilitate your adoption of a meaningful Passive House incentive program.

As we have previously offered, we at PHMA stand ready to help fashion and implement both training workshops and the Comprehensive Custom Measures program we are suggesting.

Thank you for your serious consideration of these proposals.