



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 “work arounds”, 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

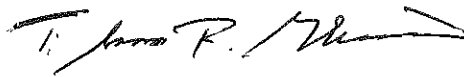
sustainability objectives as reflected in GCA. Additionally, enhancing the opportunity for the owners represented by this pipeline to more fully participate in the utility ratepayer incentives presents a valuable resource for supporting the greening of housing that serves low and moderate income households 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,



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Undersecretary
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Development



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cc: Steve Venezia, Deputy General Counsel
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