

Greening the Existing Stock of Single-Family Homes

Outlook on Energy Legislation: 2012 and Beyond



Brad Penney

General Counsel, Advocates for The Other
America

Advocates for The Other America

- * Advocates for The Other America is a newly created 501(c)(4) lobbying and consulting organization working to advance the needs of low income Americans;
- * Established to inform Congress and the Administration on the changing demographics of poverty; 48% of Americans are now either below the poverty line or “near poor;”
- * Named in honor of the famed author Michael Harrington’s book *The Other America*, published 50 years ago,
- * Arley Johnson and Brad Penney are the principals;

www.aftoa.org

Overview of Presentation

- * The Political Context;
- * What's Possible this year;
- * Defense of Appropriations: EERE, WAP, SEP;
- * Legislation: Shaheen/Portman: building codes
- * Legislation: PACE;
- * Legislation: SAVE Act;
- * Tax Incentives: new 25E provision;
- * On-Bill repayment in California;
- * Energy Efficiency retrofits of foreclosed properties



The Political Context

- Highly Partisan, Toxic Political Environment; little incentive for major legislation before the election
- Deficit reduction is overriding issue; focus in 2012 will be on the budget and a Continuing Resolution;
- Smaller energy bills are possible, but Rs reluctant to give the Administration any legislative triumphs;
- All discretionary domestic programs are at risk, starting with a 5% - 10% across the board cut;
- Pitfalls of a long term CR for programs like Wx;
- Major legislation more likely in 113th Congress



What is possible before the election?



- Smaller energy bills reported on bipartisan basis by Senate Energy & Natural Resources Committee;
- S. 1000, Shaheen-Portman bill; Cong. Bass (R. N.H.) will introduce an EE bill;
- S. 398, consensus Appliance standards legislation;
- SAVE Act;
- What can be done w/o legislation?;
- Watch Rising Gas Prices this spring;
- Off-Sets and “Pay-Fors” are the name of the game for authorizations, even for tax extenders.

Why Focus on Residential EE?

- * Homes account for 21 percent of the nation's energy use;
- * The average American household spends \$1,900 per year on energy bills;
- * There are approximately 130 million homes in the United States, half of these homes built before 1973—long before modern residential building codes and widely used practices to insulate against energy waste;
- * Modern retrofitting techniques can reduce energy use by up to 40 percent per home;
- * Most products used in EE retrofits have over 90% domestic content.



Weatherization Assistance Program (WAP)

- Low income households typically spend 15% of their total income in energy vs. 3.3% for other households
- Average annual energy savings = \$437 first-year savings per household, with savings year after year (an ongoing stimulus), an average savings of 35% of consumption.
- WAP started in 1976, and operates in every state, DC, among Native American tribes, and U.S. Territories
- Developed and field-tested advances in residential energy efficiency for 30+ years
- DOE provides core program funding to states and states can leverage funds such as LIHEAP (HHS) and utilities \$\$



WAP and The Recovery Act (ARRA)



- WAP: \$5 billion to spend in 3 years to weatherize 600,000 homes;
- Network has spent \$4 billion—over 85% of the fund—to date;
- Weatherized over 600,000 homes, creating **14,000** jobs in the construction industry in the process. That number does not include indirect jobs supported by WAP in related industries (supply chain);
- On track to weatherize over 700,000 homes with Recovery Act Funds;
- Without continued funding for FY'13 and beyond, the 14,000 ARRA jobs and more will likely be lost

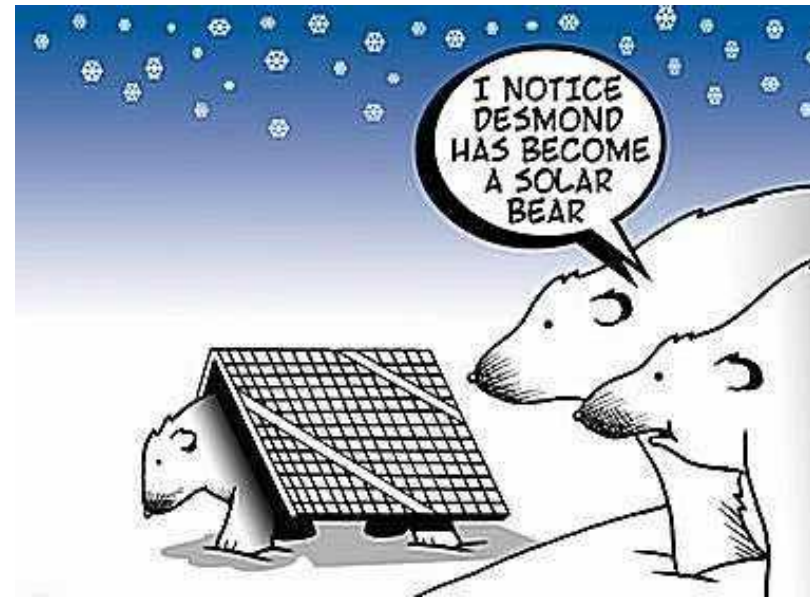
Weatherization plus health

- * The U.S. Department of Energy's (DOE) Weatherization Plus Health initiative is a national effort to comprehensively and strategically coordinate resources to improve the energy efficiency, health and safety of low-income homes;
- * The National Association for State Community Services Programs (NASCCSP) is implementing the project on behalf of DOE;
- * Can find more information at: www.waptac.org/WX-plus-health



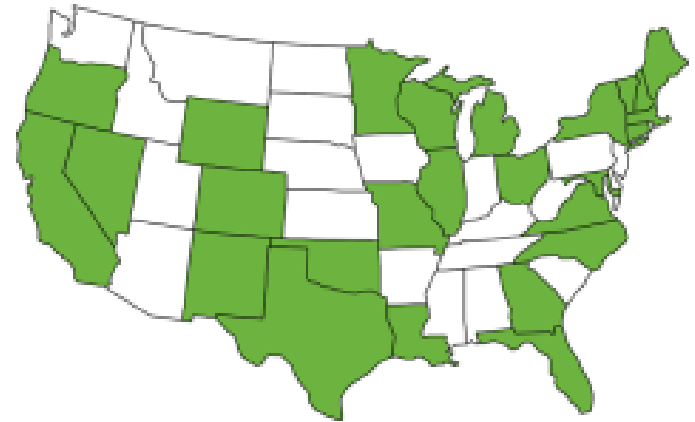
Shaheen/Portman bill

- * Energy Savings and Industrial Competitiveness Act (ESIC), S. 1000;
- * Reported with bi-partisan support by the Senate ENR Committee last July;
- * Building Codes: working with states to strengthen national model building codes to make new homes more efficient;
- * Building codes lock in cost effective energy savings of 30% - 40% at the time of construction (BCAP, cited at www.epa.gov/eeactionplan)



PACE Legislation

- * Property Assessed Clean Energy Bonds;
- * Effective means for local government to use bonds to finance home energy projects;
- * Repayment through property taxes (property lien);
- * No mandate; budget neutral;
- * 27 states (bolded) have PACE enabling laws – chart courtesy of ASE.
- * Maine PACE program



PACE Legislation

- * Rep. Nan Hayworth (R. N.Y.); Rep. Mike Thompson (R. CA); and Rep. Dan Lundgren (R. CA) introduced HR 2599 in July;
- * Pending before House Financial Services Committee;
- * Senate bill introduction currently being negotiated with R co-sponsor meetings;
- * Fanny and Freddy/FHFA directed to do Advanced Rule-Making in response to Sonoma County court case; Notice expected to be issued this week by FHFA.

SAVE Act

- * Sensible Accounting for Value Energy Act (S. 1737) introduced in November by Senator Michael Bennet (D. CO) and Senator Johnny Isakson (R. GA);
- * Pending before Senate Banking, Housing and Urban Affairs Committee (Chairman Tim Johnson);
- * No cost and no mandate policy;
- * Endorsed by U.S. Chamber of Commerce, US Green Building Council, NRDC, and the Appraisal Institute.

Save Act legislation



- * Requires residential energy efficiency to be considered in determining mortgage eligibility;
- * SAVE Act directs federal agencies to include energy costs in mortgage underwriting;
- * Requires inclusion of energy savings in appraised home values to reflect value of EE;
- * Directs HUD to develop home loan eligibility guidelines that include the energy costs of a property.

Potential for EE in Foreclosed Properties: Rehab to Rent

- * Rehabilitated homes will not only be more energy efficient, they would employ thousands of workers in the depressed housing industry, sustain jobs in manufacturing to produce goods brought into the homes, and provide affordable rental properties;
- * Center for American Progress:
- * http://www.americanprogress.org/issues/2012/01/pdf/rehab_to_rent.pdf



Rehab to rent (R2R)

- * FHA currently owns about 230,000 foreclosed properties---roughly half of all foreclosed homes;
- * Only a small number are in good enough shape where they can be sold directly;
- * Center for American Progress proposal to remove a percentage of these properties from the glutted sale market and convert to affordable rental units;
- * Plan is to expand the affordable rental housing market and provide “green” homes to low income Americans;

Role of WAP training centers

- * There are 34 Weatherization centers, funded by ARRA, in 27 states;
- * WAP centers are ready to train workers in the construction industry to retrofit homes for EE and affordable rental property; Centers use latest technology



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R2R

- * One million American households, more than half renters, spend more than 1/3 of their monthly income on housing;
- * Flooding the market with a mass sale of foreclosed properties will further depress housing market;
- * Sale of government controlled foreclosed properties to investors who would make EE improvements and put the properties on the rental market;
- * Set aside a portion of properties for non-profit community agencies;

On Bill Repayment in CA

- * Enables building owners to repay loans for eligible EE and RE projects through their monthly utility bills;
- * Loans underwritten and financed by private third party capital;
- * OBR can work for single family, multifamily;
- * Can be owner occupied or leased property;
- * Can be part of an existing utility EE program;
- * Utility's role: payment processing;
- * Marketing & project inspection role for utility.



Tax Extenders

- * The New Energy Efficient Home Credit: Section 45L of the Code: provides taxpayers a credit of up to \$2,000 for the construction of new energy efficient homes. This credit expired on December 31, 2012;
- * Section 25C residential home EE credit, also expired;
- * Small chance of being added to payroll tax extension;
- * More likely included in an extenders bill but with no substantive changes later this year (lame duck?);
- * Bingaman/Snowe/Feinstein request for GAO report on 25C – report expected very soon.

Proposed Section 25E

- * Senators Olympia Snowe (R. ME); Jeff Bingaman (D. N.M.); and Dianne Feinstein (D. CA) introduced S. 1914, the Cut Energy Bills at Home Act;
- * This bill to incentivize deep retrofits of homes is an alternative to the current Section 25C;
- * The bill looks at the home as a total system and provides a tax credit up to \$5K if contractors are BPI or RESNET accredited.

Snowe, Bingaman, Feinstein bill

- * Tax credit is based on annual projected energy costs savings – overall EE savings – from heating, cooling, lighting, etc. in taxpayer's primary residence;
- * For a minimum credit of \$2K, homes would need to reduce energy costs by 20%; for each additional 5% in savings beyond that, there would be an additional credit of \$500 (credit cannot be greater than \$5K).

Thank you!

Brad Penney

General Counsel, Advocates for the Other America, Inc.

Hall of the States Building

444 North Capitol Street, NW

Suite 837

Washington, DC 20001

bpenney@aftoa.org

202-403-8632

