October 3, 2016

The Honorable Gina McCarthy
Administrator
Environmental Protection Agency
U.S. EPA Headquarters – William J. Clinton Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Docket No. EPA-HQ-OAR-2016-0033
RIN 2060-AS84

Re: Clean Energy Incentive Program Design Details

Dear Administrator McCarthy,

The undersigned members of the Clean Power Plan Working Group of the Green Affordable Housing Coalition (GAHC) appreciate the opportunity to comment in response to Environmental Protection Agency's (EPA's) June 30, 2016, notice of proposed rulemaking, "Clean Energy Incentive Program Design Details." We are pleased to see EPA focusing on the needs of low-income households and communities.

Our recommendations for improving the rule, with additional detail below, center on:

1. Better Specify the Definition of Low-Income Communities and Households
2. Widen the Qualification Timeline for CEIP
3. Broaden the Eligibility for Solar in the Low-Income Community Reserve
4. Increase the Incentive for Residential Energy Efficiency

## I. About the Green Affordable Housing Coalition

The Green Affordable Housing Coalition (GAHC) is a national action network that fosters collaboration and advocates for the development and preservation of green affordable housing. GAHC provides members with an opportunity to share best practices and the latest research, discuss potential policy solutions, coordinate outreach and advocacy efforts, and network with organizations with a shared mission. The Clean Power Plan Working Group (CPP Working Group) was developed as a subgroup of the GAHC in response to the Clean Power Plan (CPP). The CPP Working Group is uniquely positioned to provide expertise and comments on housing, especially low income housing, as it relates to the CPP.

## II. Comments on the proposed rule

### 1. Better Specify the Definition of Low-Income Communities and Households

The undersigned appreciate the benefits of giving states the flexibility to set their own definition of low-income, and we support providing federal options that states can easily implement. Definitions must be easy to implement while covering the full population of low-income households intended by the rule. We recommend EPA add households with incomes at or below 80 % of area median income (AMI) to the set of federal options that states can choose to use. Traditionally, households at 80% of AMI or below are considered low-income for purposes of federal housing assistance, and we recommend EPA rely on this existing standard.

The proposed federal measures at the household level, the federal weatherization or poverty level standards, do not provide enough flexibility or account for geographic variation in need. Including 80% AMI as a measure states know is federally acceptable is essential for states to have the best package of qualifying measures to reach all low-income households through the CEIP. Income that seems high in one place can be very poor in another, largely because the cost of housing varies greatly around the country. The EPA has already recognized this reality in the proposed rule, "As a state contemplates possible definitions of 'low-income community,' it may be appropriate to consider the range of factors specific to the state that impact the energy burden on low income ratepayers (e.g., disparities in median income across the state, utility prices, EJ concerns, or state median income in comparison with national median income). This can help states select a definition that maximizes inclusion of communities and households in which there are significant energy burdens and barriers to energy efficiency programs." [1]

A household-level definition tied to area median income (AMI) best captures the relative components of poverty while ensuring that CEIP reaches all intended households. Table 1 below illustrates the importance of a household-level definition that recognizes the variation in both income and housing costs across the country. It shows the variation in median household income and median monthly renter housing costs in a small sample of metro areas, based on NHC's 2016 Housing Landscape report. This data shows that higher income does not always equate to greater financial security. Households in L.A. earn more on the median than in Dallas and Miami, but renter costs are significantly greater, leaving less disposable income for renters. The data also show that incomes and housing costs are mismatched. In Miami, median income is the lowest of the sample provided, but housing costs are not equally as low. Using 80% AMI as a definition helps account for the ways housing costs vary across the country.

Table 1. Household income and renter housing costs

| Metro area | Median Monthly Household Income | Median Monthly Renter Housing Costs | Percent of Income devoted to Housing Costs at Median Levels |
|---|---|---|---|
| Los Angeles, Calif. | $5,042 | $1,844 | 37% |
| San Diego, Calif. | $5,547 | $1,827 | 33% |
| Providence, R.I. | $4,731 | $1,443 | 31% |
| Miami, Fla. | $4,034 | $1,197 | 30% |

[1] 81 FR 42962

| | | | |
|---|---|---|---|
| Boston, Mass. | $6,303 | $1,790 | 28% |
| Chicago, Ill. | $5,210 | $1,425 | 27% |
| Dallas, Texas | $5,025 | $1,240 | 25% |

As proposed, the example definitions in the rule steer states away from reaching low-income renters in multifamily properties. Expanding the definition to include 80% AMI would correct this. Low-income definitions from existing utility programs continue to present an obstacle to serving affordable multifamily housing properties. Typically these definitions exclude locations where tenants are not paying directly for utilities, like a master-metered multifamily building.[2] While there are examples of utility-administered low-income programs tailored to multifamily buildings and that include master-metered properties, they are few and far between. In many cases, master-metered multifamily buildings are served under programs targeted to commercial or industrial customers, but these programs are typically not intended to serve low-income customers. Encouraging states to use the 80% AMI definition is a simple way to broaden eligibility and ensure more residents of affordable housing benefit.

An 80% AMI standard can be easy to implement because many existing rental housing and social safety net programs already verify income, so states could rely on existing processes to qualify households. We recommend that the CEIP allow use of existing federal programs to document income to streamline qualification and remove barriers to participation. Residents in any of the following programs would meet the 80% AMI standard and would not need a separate determination of income:

- Supplemental Nutrition Assistance Program (SNAP)
- Supplemental Security Income (SSI)/ Social Security Disability Insurance (SSDI)
- Temporary Assistance for Needy Families (TANF)
- Any resident in regulated affordable housing including:
  - Tax credit eligible units in Low Income Housing Tax Credit (LIHTC) buildings
  - Federal or state public housing
  - Federal property-based rental assistance such as Section 8, project-based Housing Choice Vouchers, Rent Supplement, or USDA Rental Assistance
  - FHA-insured multifamily residential properties under Section 236, Section 221d(3) BMIR, or Section 223(f)
  - HUD Section 202 Housing for the Elderly
  - HUD Section 811 Housing for the Disabled
  - Housing Opportunities for People with AIDS
  - Section 515 Rural Rental Housing
  - Properties financed by the National Housing Trust Fund

[2] For example: Energy Upgrade California (http://www.energyupgradeca.org/en/find-programs-and-assistance/find-a-program/programs/income-qualified-programs); Energize Connecticut (http://www.energizect.com/your-home/solutions-list/save-energy-and-money-all-year-long); New Jersey Comfort Partners Program (http://www.njcleanenergy.com/residential/programs/comfort-partners/comfort-partners)

- Any property with HOME Investment Partnerships Program funding
- Properties funded by the Affordable Housing Program of any of the Federal Home Loan Banks
- Households using Housing Choice Vouchers

The CEIP offers an important mechanism for states to achieve energy efficiency for beneficiaries and sectors that have been overlooked, like multifamily housing. Adding 80% AMI as a federal option and allowing the use of existing programs for income documentation will make that goal more achievable.

**2. Widen the Qualification Timeline for CEIP**

We appreciate EPA's recognition of states' need for adequate ramp-up time to design energy efficiency programs. However, the EPA should allow increased time to support robust energy savings in 2020 and 2021 by allowing projects that commence 6 months after the publication of the final rule to be eligible for credit under the CEIP. Assuming the final rule is published before March 2018, this would provide more than a 15-month period for savings to be generated.

As written in the proposed rule, projects eligible for generating credit under the CEIP must commence operation after September 6, 2018. This timeline only allows a 15-month window for program ramp-up, and should be expanded to allow states the time needed to generate robust savings in 2020 and 2021. As EPA acknowledges, there have been "historic economic, logistical, and information barriers" to implementing demand-side EE programs in low-income communities."

Additionally, an expanded timeline would allow multifamily housing properties already under construction to add efficiency measures if those measures would be eligible for credit. Multifamily properties take 1-2 years to develop (sometimes much longer for subsidized housing) with project plans changing as requirements, opportunities, and available funding change. Often the best time to make energy efficiency improvements in a multifamily property is as part of initial construction or substantial rehabilitation. An expanded timeline would allow properties already planning development or renovation to include additional energy efficiency measures.

**3. Broaden the eligibility for solar in the low-income community reserve**

The undersigned support adding solar to the low-income community reserve under CEIP. However, we encourage the EPA to revisit the definition of eligibility. The proposed rule would limit eligible solar projects to those that "provide direct electricity bill benefits to low-income community ratepayers." This requirement is overly restrictive and could exclude projects that provide significant benefits to low-income households. In affordable multifamily housing that is master-metered or that has common space, low-income households directly benefit from the reduction in utility costs even if the tenant is not the ratepayer. The cost of energy is the highest controllable operating expense in affordable housing. Reducing operating expenses allows affordable housing providers to maintain reasonable rents, invest in resident services, and make necessary building improvements.

EPA should revise the requirement so that eligible solar projects are limited to those that "provide direct benefits to low-income communities."

### 4. Increase the Incentive for Residential Energy Efficiency

In order to drive significant new investment in the residential sector and to utilize a greater portion of the available allowances or Emission Rate Credits (ERCs) in the Low Income Community Reserve (LICR) matching pool, we recommend significantly increasing the 2:1 ratio awarded for residential demand-side energy efficiency projects for low-income single- and multifamily households. Increasing the incentive will help to ensure that residential projects are a major component of the CEIP and that low-income households can directly participate and benefit from this program.

As EPA notes in the proposed rule, a key barrier to implementing energy efficiency projects in low-income communities is the lack of up-front capital. While the proposed 2:1 incentive for energy efficiency is a step in the right direction, it is not adequate to drive significant new energy efficiency projects to benefit low-income households. If EPA intends for the CEIP to increase investments for low-income households beyond business as usual, and intends as well to ensure this early action program benefits the residential as well as commercial sector, then the financial incentive needs to be more significant in order to help overcome the up-front barriers to program participation.

EPA estimates that the energy savings potential from eligible low-income demand-side energy efficiency projects could reach up to 39 million MWh, with 15 million MWh from potential solar projects implemented in low-income communities in 2020 and 2021 combined. In total, this represents only approximately 15% of the total allowances or ERCs available to states in EPA's matching pool. EPA's estimate of potential for low-income energy efficiency savings and solar projects is far too low to take advantage of the 150 million matching allowances available in the LICR, and a greater incentive could be created by leveraging the portion of the LICR that would otherwise go unused. EPA projects that only 43 million allowances will be awarded to eligible projects and is proposing to retire all unused allowances or ERCs from the matching pool. This means that out of the 150 million matching allowances available to eligible projects in the LICR, more than 100 million allowances will be retired. This implies, for example, that the number of allowances or ERCs issued to residential demand-side energy efficiency and solar implemented in low-income households could be tripled and still remain within the limit available in the LICR.

Considering the CEIP was designed to increase investment in underserved communities, we recommend that EPA provide an increased incentive to motivate project implementers and customers in the residential sector to more fully take advantage of the CEIP.

## III. Conclusion

We appreciate EPA's leadership on carbon reduction and we commend you for including the low-income set aside as part of the Clean Energy Incentive Program. The recommendations offered here aim to ensure that cost-effective carbon reductions from energy efficiency in housing play a central role in implementing the plan, and that the benefits of doing so reach all households in America.  We would be happy to work with EPA staff further in the implementation process, so we ask that you direct questions on these comments to Rebekah King, Policy Associate, at the National Housing Conference (rking@nhc.org).

Sincerely,

American Council for an Energy Efficient Economy

Enterprise Community Partners

Green and Healthy Homes Initiative

National Housing Conference

National Housing Trust

Natural Resources Defense Council

Stewards of Affordable Housing for the Future

U.S. Green Building Council