October 27, 2022

Regulations Division
Office of General Counsel
U.S. Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

Re: Green and Resilient Retrofit Program Request for Information; Docket No. FR-6350-N-01

Submitted via regulations.gov

To whom it may concern:

On behalf of Stewards of Affordable Housing for the Future (SAHF), thank you for the opportunity to respond to HUD’s Request for Information (RFI) on the Green and Resilient Retrofit Program (GRRP). We appreciate that the agency is seeking stakeholder feedback to help inform work prioritization, and design elements to best ensure the program goals are met equitably and efficiently. SAHF and its members are strongly committed to the success of the GRRP, and our recommendations detailed in this letter focus on what a well-designed GRPP could accomplish through targeted rounds, cautions against too large a scope, and builds upon lessons learned from the American Recovery and Reinvestment Act (ARRA) era- Green Retrofit Program (ARRA GRP) and advancements made in the field over the last decade.

SAHF is a collaborative of twelve mission-driven, multi-state nonprofit affordable housing developers: Mercy Housing, Volunteers of America, National Church Residences, National Housing Trust, Retirement Housing Foundation, Preservation of Affordable Housing, The NHP Foundation, BRIDGE Housing, CommonBond Communities, Community Housing Partners, Homes for America, and The Community Builders. Our mission-driven alliance advances resident-centered policy changes and sustainable solutions that accelerate the production and operation of quality, environmentally sustainable affordable homes within healthy, equitable communities. Together, our members own, operate, and manage more than 2,000 apartment communities comprised of 145,000 affordable rental homes across the country.

SAHF and its members are committed to the health and sustainability of our planet and our communities by building and operating energy- and water-efficient housing. As leading providers of affordable multifamily rental homes, we continually seek new ways to ensure the transition toward a low-carbon future is one that benefits residents and makes our communities more resilient, and we work to support our members and the affordable housing sector at large through tools, resources and solutions.

Through this work, SAHF has first-hand experience with a significant number of energy-efficiency, water-efficiency, and resilience programs and efforts, including but not limited to the [HUD Green Retrofit](http://www.sahfnet.org)
program (ARRA GRP) enacted in 2009\(^1\), the U.S. Department of Energy’s Better Buildings Challenge (BBC), and the Big Reach\(^2\) -- a collaborative initiative of SAHF, its 12 members, and partners to achieve a 20% reduction in energy and water consumption across the SAHF member portfolios by the year 2020. We are proud to say we not only reached our Big Reach goal, but we exceeded it against our 2010 baseline, achieving 29% energy savings and 24% water savings at a portfolio level. We are continuing our work by helping SAHF members and partners in the field calculate portfolio-wide carbon emissions and set strategies for a lower carbon future. Through these efforts, SAHF has gained numerous insights to inform the feedback we share below.

GRRP presents a significant opportunity to not only improve energy efficiency and climate resilience at thousands of rental homes in the near term, but to address systemic barriers to the scaled adoption of more efficient and lower carbon approaches in affordable rental housing. **We strongly encourage HUD to adopt a flexible, multi-pathway, equitable approach informed by the unique expertise of owners in order to fully harness this opportunity to scale change.** Below we have outlined overarching considerations followed by direct responses to the numbered questions in the RFI.

**Overarching Recommendations**

1. **GRRP Should Adopt a Resident-Centered and Owner Driven Approach**

   While there are still significant opportunities to scale energy efficiency, decarbonization and resilience in the affordable housing sector, the capacity for energy efficiency retrofits, including deep retrofits, in HUD assisted multifamily housing has significantly grown since the implementation of ARRA GRP in 2009/2010. It is imperative that HUD harness the expertise of the sector and manage its own capacity constraints by designing a process that looks to owners’ knowledge of their own portfolios and gives weight to the voice of residents rather than relying on a HUD-driven process. In ARRA GRP, HUD ordered a Capital Needs Assessment (CNA) and Energy audit and presented options to an owner and met with residents directly. This was administratively burdensome, did not necessarily yield improved results, and did not utilize or benefit relationships owners built with residents. GRRP should reflect progress in the field by allowing owners to develop and present their own scopes of work based on a set of existing standards such as an [ASHRAE Level II audit]\(^3\), a green CNA, or implementation of a rehab certification like Enterprise Green Communities or Passive House. GRRP should also require meaningful opportunities for resident input and incentivize opportunities for resident decision-making and include an evaluation of how retrofits benefit residents.

2. **GRRP Should Advance Decarbonization and Resilience Using Balanced Approaches to Cost-Effectiveness**

   Energy-efficiency should be prioritized in GRRP and while most applications should be required to demonstrate a projected 20% savings in energy consumption (as detailed in the Performance Pathway section below), participants should also be urged to undertake deeper retrofit activities, such as whole building envelope improvements or electrification, that may be more costly or generate smaller savings in consumption but provide longer term benefits in carbon emissions and climate resilience. For many older HUD-assisted properties, improving the thermal performance of the building envelope is critical to

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significantly reducing energy usage, increasing comfort, improving habitability during a power outage and is a prerequisite for electrification – but envelope work is costly, has fewer state- and local-level financial incentives (e.g. utility rebates, state energy office program funding) and may not be justifiable on the basis of its financial return alone. HUD should seek to encourage and scale those systems investments that will create a set of learnings, case studies, an expanded workforce, and a new generation of best practices – all of which will foster a low carbon and resilient housing stock in the long term. Therefore, we would strongly recommend HUD not evaluate deep retrofit projects based on a payback/feasibility model or other traditional measure of cost effectiveness. See the Deep energy-efficiency, decarbonization and resilience-focused retrofits section below for more on this.

3. GRRP Structure Should Include Multiple Funding Pathways/Pools
SAHF and its members appreciate the importance of deploying GRRP funds as efficiently, equitably and impactfully as possible; HUD can do this by acknowledging that GRRP-eligible activities vary greatly in scope and potential cost savings, that the resources and capacity for climate-resilience and efficiency work differs greatly by region, and therefore divide the program into targeted funding rounds. We encourage HUD to consider three pathways for funding that differentiate among (a) traditional energy- and water-efficiency retrofits; (b) deep energy efficiency, decarbonization and resilience-focused retrofits; and (c) Portfolio approaches.

a) Traditional Energy- and Water-Efficiency Retrofits
ARRA GRRP was moderately successful, with most properties demonstrating water- and energy-savings. However, the greater success has been the development of the energy efficiency industry since ARRA GRRP and other ARRA-funded projects or adjacent programs launched. Unfortunately, these programs and their energy savings results have not been equitably distributed across HUD’s portfolio. Even sophisticated multifamily owners with capacity to pursue energy efficiency projects struggle to implement projects in locations that do not offer utility rebates or other programmatic incentives to reduce or eliminate costs for affordable housing properties. These properties represent a significant opportunity to improve energy efficiency, realize cost savings and improved comfort for residents, and potentially reduce carbon emissions, but they can only be unlocked if a sufficiently streamlined process is available. We recommend two pathways for traditional efficiency retrofits:

- **Prescriptive Pathway:** To begin to scale energy-efficiency practices in the most challenging geographies and to acknowledge the capacity constraints of owners, we recommend that HUD create a streamlined traditional energy- and water-efficiency retrofit pathway with a prescriptive list of tried-and-true cost-effective measures that an owner could easily implement with minimal pre-development preparation, scoping and planning. By providing this pathway, HUD will provide an opportunity for properties located in underrepresented geographic areas to participate, and allow for the funding and benefits to begin flowing quickly. As mentioned below in response to RFI Q.6, SAHF recommends that these underrepresented geographies be identified by looking to well-recognized research organizations, like ACEEE and their annually produced State Energy Efficiency Scorecard to determine which states have made less investment in energy efficiency. These states are less likely to have financial incentives, a well-developed workforce and available technical assistance to support the affordable housing sector.

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https://www.aceee.org/state-policy/scorecard
This prescriptive pathway will create an easy entry for affordable housing owners who have not had the opportunity to be exposed to energy efficiency in the same manner as resource-rich states.

When establishing the list of measures, we would recommend that HUD look to different state housing and utility programs to determine a cost-effective list of measures that also provides guaranteed energy savings. We would recommend HUD reviewing, at a minimum, the Ohio Housing Finance Agency’s Limited Scope Rehabilitation Standards,⁵ and the list of multifamily and low-income focused utility programs⁶ that SAHF has assembled. These programs typically have already determined cost-effectiveness and energy savings and they have determined that these resources are available within the marketplace, and therefore can be a source for streamlining HUD’s selection.

We would encourage HUD to provide more modest owner incentives for these retrofits – perhaps consistent with those allowed under ARRA GRP. We would further urge HUD to limit the portion of GRRP funds allocated to these uses to a small percentage.

**Performance Pathway:** We also recommend that HUD provide a pathway for projects that would like to pursue project specific energy efficiency measures beyond a prescriptive list, but are not yet achieving a scope of work that constitutes a deep energy retrofit. In this case, we recommend creating a pathway that requires a project to demonstrate **20% energy savings over a property’s energy baseline**. A minimum requirement of a 20% reduction in energy consumption is practical given advances in technology since 2009. This threshold also aligns with the minimum energy savings required to receive rebates through the Inflation Reduction Act (IRA) HOMES rebate program.

SAHF also recommends that HUD allow owners to identify their own energy auditors, as long as the auditors have met appropriate qualifications. Highly qualified auditors are crucial to achieving long-term emissions savings and safe, healthy, and resilient homes. In addition, they can help an owner both understand and prioritize energy- and water-upgrades based on level of effort and cost. We recommend that HUD consider the auditor certification requirements that are being used by NYSERDA’s well-established Comfort Home Program.

**b) Deep energy efficiency, decarbonization and resilience-focused retrofits**

To both realize near-term benefits, and develop the next set of best practices that focus on deeper energy savings and the interconnection of systems that lead to benefits for residents that extend beyond energy and cost savings, we urge HUD to develop a specific deep retrofit category. These projects will have more variable scope and should be based on an owner-commissioned capital needs assessment or energy audit or an accepted green/sustainable building standard such as Enterprise Green Communities 2020 or Passive House. Projects funded through this pathway could achieve the 20% energy savings required for the

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⁶SAHF, *New and Improved Utility Programs*. https://sahfnet.org/utility_program_descriptions

⁷https://www.nyserda.ny.gov/All-Programs/Comfort-Home-Program/Become-a-Participating-Comfort-Home-Contractor
**performance pathway** (detailed above in Section (a)), but should not be assessed on cost-effectiveness because some decarbonization and resilience-focused measures may not have a favorable return on investment in the near term.

In addition to traditional energy- and water-efficiency measures, deep energy retrofits should evaluate the feasibility of electrification as a strategy to reduce carbon emissions. Electrification (converting fossil-fuel burning equipment to high-efficiency electric) is a key decarbonization strategy. Supporting electrification will help ensure that affordable housing doesn’t bear the burden of escalating gas costs. Removing fossil fuel burning equipment, especially gas burning stoves, eliminates harmful indoor pollutants. Installing heat pumps allows for the inclusion of highly efficient air conditioning and supports resiliency to extreme heat in housing that does not have central air conditioning.

Electrification should be pursued only to the extent that electrification and the energy efficiency scope coupled together do not increase tenant’s utility bills. As part of the evaluation of electrification, all projects pursuing a deep retrofit should be required to contemplate the installation of high efficiency heat pumps. Building owners that do not plan to incorporate high-efficiency heat pumps should provide a justification for why doing so is infeasible and what would be required to address the barriers to installing both space and/or water heat pumps.

Where electrification is viable, the GRRP program should provide incentives to:
- Cover the cost of electrical system upgrades that will be necessary to accommodate added electrical load (e.g., wiring, circuit panel upgrades, service lines, transformers, etc.).
- Offset the cost of replacing gas-burning stoves with electric or induction stoves.
  - Where induction stoves are included, a funding source (including GRRP) should be included to help residents acquire appropriate cookware.
- Conduct electrification-specific audits from a pre-qualified list of contractors.

All owners pursuing deep retrofits should also be encouraged to consider the feasibility of renewable energy and battery storage as a means to ensure reliability and limit utility cost implications of electrification. HUD should further consider explore increased or scaled incentives for projects that are pursuing solar+ electrification projects aimed at offsetting potential utility allowance concerns.

Further, applicants for deep retrofits should be asked to assess resiliency opportunities and encourage incorporating at least one resiliency measure (or more) in their project design as discussed in our RFI responses below.

c) Portfolio-level approach

While significant opportunity to scale energy efficient, resilience and low carbon approaches remain, there are multifamily housing owners/operators who have been leaders in this space and will wish to continue to advance efficiency, scale decarbonization and improve resilience. HUD can realize efficiencies in its own processes; deploy funds quickly; identify promising practices; and allow owners to contain costs and manage limited staff capacity by providing a pathway for portfolio approvals of GRRP applications. By granting processing and approval of a portfolio of requests at once, HUD can help owners realize several economies of scale including, but not limited to, lower supply costs, better coordination of organization staff and contractors,
and the potential to leverage more significant outside investment or funding due to a larger number of properties and units being impacted. These efficiencies could be realized even while adhering to project specific budgets and scopes, though modest flexibility could allow owners to maximize efficiencies and leverage other funding opportunities.

These portfolio demonstrations will also provide HUD and the broader affordable housing sector with a set of best practices, case studies and new solutions that cannot be easily identified from a property-level project. It will help inform HUD how to proceed with broader decision-making with regards to future energy and resilience measures and retrofits. The portfolio approach should be available only to owners generally in good standing with HUD on physical and compliance of all properties included in the portfolio, and portfolio owners should have experience deploying outside resources to support energy efficiency and/or decarbonization activities that have yielded documented savings.

4) Provide a flexible program and financing structure to create access for a range of transaction types

The GRRP-eligible portfolio will include a wide range of efficiency, decarbonization and resilience opportunities and is held in a wide variety of ownership structures. The program should therefore be designed to incentivize participation by a wide range of owners and provide flexibility to accommodate the diverse range of retrofit activities that will be appropriate.

a) Financing/Funding Structure: HUD should deploy GRRP funds flexibly to ensure that eligible properties can benefit fully no matter how their ownership is structured. A significant portion of the eligible portfolio may be held in Low Income Housing Tax Credit (LIHTC) partnerships where grants could have undesirable tax consequences that could threaten long term affordability and preservation options if they make an investor exit more challenging down the road. These same properties may also require several layers of approval in order to accept a loan. Owners are best positioned to determine the most feasible structure for their properties and should be given choice. To maximize the benefit to properties and minimize administrative burden and unintended financial and compliance consequences, HUD should permit grants to a nonprofit sponsor of the project with the express condition that funds be contributed as equity to the single asset entity that owns the project. Drawing on examples from the Section 202 program, these funds will allow owners to most impactfully leverages funds in a LIHTC partnership.

b) Timing and Project Teams

The ARRA GRP provided a 24-month timeline for completion of work. This timeline may be appropriate for streamlined retrofits under GRRP, however properties pursing a deep retrofit will be complex in scope. Accordingly, we urge HUD to allow significant flexibility in timing, funding structure and project teams. HUD should allow owners to work with teams they already have an established rapport (architects, contractors, trades, energy professionals) or one-stop-shop entities that provides oversight and on-the ground implementation support, such as Elevate Energy. We recommend that HUD allow a time period of up to 48 months to fully expend funds since projects will require extensive predevelopment planning, permitting and are much more likely to be impacted by supply chain, workforce and regulatory issues. Given the

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8 If viewed as income, a grant may create tax implications for the investor who has made certain assumptions about the financial performance of the property. This could cause the investor to object to the receipt of the grant or could have longer range implications that require the owner to make payments or negotiate differently upon the investor’s exit from the property.
prevalence of supply chain and workforce challenges, waivers should be easily available for all projects.

c) **Incentives**

In designing the program, HUD should recognize that all owners have limited capacity, particularly now, and will incur significant predevelopment costs and staff time that creates opportunity costs. To incentivize and facilitate participation that includes robust resident engagement (staff time, surveys, etc.), HUD should explore avenues for supporting predevelopment costs and providing owner incentives. For predevelopment costs such as audits and needs assessments, as well as resident engagement costs, HUD should provide access to reserves and residual receipts accounts for eligible expenses and should be sure to include any predevelopment costs not funded from project funds in the final GRRP assistance amount. This includes permitting reimbursement of owner-allowed costs. This will be key in equitable access to funds for smaller and nonprofit owners.

Further, HUD should acknowledge the significant resources required to pursue GRRP funding and manage a retrofit by permitting an owner incentive that is proportionate to the complexity and not just the cost of the transaction. The ARRA GRP provided an incentive of 4% of the total cost (or $40,000). This level of incentive may be appropriate for the most streamlined retrofit, but for a full energy efficiency retrofit and for deep retrofits and full energy efficiency retrofits, this fee should be at least 10% of the total retrofit costs. HUD should consider making a material portion of the fee accessible at the times funds are disbursed to address predevelopment costs identified above. HUD should also consider making owners who are able to leverage additional funds eligible for additional incentives.

5) **Address Systemic Barriers to Efficiency and Low Carbon Approaches**

GRRP presents an opportunity for HUD to scale the use of energy efficient and lower carbon approaches beyond just the properties funded in GRRP. In order to leverage this opportunity, HUD should consider how GRRP can help address three key systemic barriers to this work: capacity, split incentives, and energy and carbon benchmarking.

a) **Capacity**

While capacity for energy efficiency work has significantly improved in the affordable housing sector in the past decade, resources and expertise still vary greatly across the sector and particularly by geography. In areas with fewer resources to support efficiency and broader sustainability efforts, capacity is lower, particularly if multistate actors aren’t active there. In other areas, such as New York, California, and Massachusetts, resources and capacity are higher. For affordable housing providers, even among those that have led the way in energy efficiency and now decarbonization activities, capacity dedicated to retrofit activities is limited. To help leverage existing capacity and grow capacity among new actors and new regions, HUD should both explore portfolio approaches and prioritize technical assistance for applicants, particularly those without prior assistance. Further, HUD should reserve a small portion of its funding for development of case studies for use by groups beyond those funded by GRRP.

Capacity constraints can challenge the effectiveness of retrofit programs even after the work is complete. SAHF members and practitioners throughout the field have noted that recruiting and retaining maintenance staff that are familiar with more efficient/lower carbon systems is a persistent challenge. HUD should help address this challenge and ensure the long-term
effectiveness of the program by i) including in GRRP grants/loans funding for training after retrofits are complete; and ii) using its own technical assistance funds to produce training and reference materials for commonly used systems. HUD should further evaluate whether a GRRP recipients conducting deep retrofits should be eligible for a more substantial management add-on fee incentive than currently available to Better Building Challenge (BBC) participants, to provide an ongoing source of funding for training property management staff.

b) **Split Incentives**

Another continuing barrier to energy efficiency is split incentives for energy efficiency activities in HUD-assisted programs. Where tenants pay their own utilities and rent is calculated accounting for a utility allowance, owners are not incentivized to pursue energy efficiency measures that would reduce tenant costs since the owner will incur costs, but realize no direct benefit to help offset the cost. Where the owner is contributing to the cost of energy saving retrofits that reduce tenant utility costs, HUD should use GRRP as an opportunity to address the split incentive. This could be accomplished for properties with project-based Section 8 contracts by permitting owners pursuing full energy-efficiency retrofits or deep retrofits to pursue the process outlined for RAD conversions in [HUD Notice H-2019-09 PIH-2019-23 Attachment 1C, Step 2](https://www.hudexchange.info/documents/2019-09-PIH-2019-23-Attachment-1C, Step 2). An owner should be permitted to submit the engineering study contemplated by the RAD guidance, along with a request for rent adjustment otherwise permitted under the Section 8 Renewal Guide. Using this process, rents and utility allowance could be conservatively reset and HUD can further demonstrate a pathway for addressing split incentives in multifamily housing. HUD could determine that the engineer study is an appropriate method for calculating utility costs under 24 CFR 5.603 as it has done for RAD properties. HUD should grant any programmatic notice waivers as required to facilitate this approach.

For properties with rents set by budget, including Section 202, utilities are most often paid by the owners, however, where there are tenant-paid utilities and the owner has contributed to costs of energy-saving retrofits, a process should be available. HUD could use the same engineering study to assess the change in utility allowance and allow the owners to budget a corresponding increase in reserve deposits to replace funds spent on retrofit activities that the engineering studies show will reduce tenant utility costs.

**Responses to Specific RFI Questions**

1. **HUD is seeking input on program design features, energy-saving measures, low-emission technology, and resilience design and measures that have proven effective in affordable multifamily buildings. Eligible uses for project funding and/or financing include: improve energy and/or water efficiency; enhance indoor air quality and/or sustainability; implement the use of zero-emission electricity generation, low-emission building materials or processes, and/or energy storage, or building electrification strategies; address climate resilience.**

   a) **How might this program help prioritize and scale best practices for reducing energy consumption and carbon emissions, improving indoor air quality for residents, and strengthening climate resilience among affordable multifamily buildings?**

As described in our overarching comments, a multiple pathway approach to administering GRRP will help prioritize and scale best practices by meeting owners where they are in their capacity for efficiency, decarbonization and resilience activities and access to resources. Broadly, GRRP funds should be focused on mid-cycle retrofits since there are fewer case studies, best practices, and consistent financial
and technical resources for these activities. The program should not be limited to these activities, but where utilized in connection with a recapitalization event should focus on those expenses that cannot be funded from other sources, including the incremental cost of more sustainable/resilient approaches. In general, HUD should use GRRP as an opportunity investment in systems that support deeper efficiency and resilience.

As discussed above, HUD should design a process that draws heavily on existing standards for establishing a scope of work, and owner expertise in assembling a team and executing retrofits. As emphasized by our member organization Preservation of Affordable Housing (POAH), in some markets building envelope retrofits may be a very effective strategy for advancing the intersectional objectives of GRRP. In other markets, buildings may be suited for other efficiency approaches coupled with electrification. All properties undertaking full efficiency or deep retrofits should be encouraged to evaluate the feasibility of including renewable energy sources and resilience measures, but measures must be adopted at the discretion of the owner and not the direction of HUD.

In designing the program, HUD should recognize that all owners have limited capacity, particularly now, and will incur significant predevelopment costs and staff time that creates opportunity costs. As noted in our overarching recommendations, HUD should recognize these challenges with a flexible program structure that includes access to predevelopment funding and financial incentives for owners that are proportionate to the project complexity.

**b) How can these measures and practices be deployed in a way that preserves affordability of our properties?**

GRRP projects can help support affordability by reducing utility costs, fostering resilience and improving property performance. HUD can further ensure that GRRP advances affordability by requiring that owners receiving GRRP funds commit to additional terms of affordability. We urge HUD to consider allowing owners to satisfy a requirement for further affordability through either a recorded use agreement/affordability covenant or a long-term renewal of the Section 8 Housing Assistance Payment contract. Offering these two options may position an owner to more quickly obtain necessary approvals and position properties for recapitalization at the appropriate time.

While SAHF and its members have a permanent commitment to affordability, we urge HUD make affordability requirements for GRRP proportionate to the level of investment and capital improvement. For most mid-cycle retrofits, GRRP activities will not materially delay the eventual need for recapitalization/broader investment and certainly provides no pathway for the exit of a LIHTC investor. For many properties, a LIHTC resyndication or other preservation financing may be required a few years down the road to exit an investor and to provide for long term preservation through addressing broader capital needs. Very long recorded affordability restrictions can make properties less competitive for public resources in some jurisdictions. Providing extended affordability through a rental assistance contract may be a preferable option that still provides a long-term commitment.

HUD can further leverage GRRP to preserve affordability by requiring energy savings, which may reduce utility costs and contribute to longer term affordability.
2. This program offers owners of HUD-assisted multifamily properties an opportunity to plan comprehensively around energy efficiency and climate resilience. Often, these goals can be interrelated. Materials and technologies that enhance a building’s energy efficiency can also make the building more durable and resilient to threats posed by extreme weather events. It is also possible that some energy efficiency and climate resilience improvements may be in tension. HUD would like recommendations for designing the program to meet energy and emissions reduction goals as well as climate resilience. HUD seeks information on how to balance multiple goals (i.e., energy efficiency, decarbonization, and climate resilience). In addition, given the various eligible uses of funds, cost-effectiveness will vary greatly across projects. How might HUD factor in cost-effectiveness when evaluating applications for energy- and/or resilience-related projects?

As noted in our overarching comments, we urge HUD not to use cost-effectiveness as a primary factor for evaluating GRRP applications, particularly for deep retrofits. Our colleagues at POAH point out in their RFI response that highly cost-effective retrofits are more likely to be undertaken without the GRRP subsidy and some of the more holistically impactful retrofit activities don’t offer the same straight forward calculation of cost benefit. We urge HUD to use GRRP to support investments in basic building systems – envelope, plumbing, wiring – which are prerequisites to conversion to much higher-efficiency HVAC systems, electrification, and also support program goals around efficiency. HUD can balance programmatic goals by requiring energy efficiency savings of at least 20% in all retrofit projects and by permitting properties pursuing deep retrofits that may have lower consumption savings to demonstrate that this savings has already been achieved through retrofit activities completed outside of GRRP, but since 2018.

In administering GRRP, HUD should balance the mix of resilience and decarbonization activities with energy efficiency activities on a project to ensure that there is no projected net increase in cost to residents. In 2020, SAHF conducted a climate risk assessment on the 12 SAHF members portfolios, reviewing wind, flood and wildfire risks, and exposure to extreme temperatures. In all cases, extreme temperatures topped the list as one of the most significant risks. As energy efficiency can directly lessen the impact of extreme temperatures through improved building envelope measures, and by decreasing the building’s impact on the grid, in many cases, climate resilience measures and energy-focused measures are one in the same. Measures like envelope improvements support efficiency and in turn resilience. When paired with renewable energy and a battery backup, an efficient building can become even more resilient. However, in some cases, overall energy usage may increase to ensure climate resilience against extreme temperatures, such as the installation of cooling systems (air conditioning or heat pumps) to provide relief during extreme heat events where residents previously lacked access to indoor cooling. These strategies should not be seen as conflicting with the goal of energy efficiency. The goal of energy efficiency should be to save energy while ensuring safe, stable and comfortable conditions for residents – not to achieve the lowest possible level of energy use for the building. Nonetheless, there are practical implications to consider when a property adds cooling systems where there were previously none or electifies appliances that previously used fossil fuels, including the potential increase in energy usage, and the impact to resident utility bills and allowances.

3. States, localities, and utilities administer programs aimed at delivering energy efficiency and electrification to affordable multifamily properties. In addition, the Inflation Reduction Act makes significant funding available for home energy rebates for low- and moderate-income households through the U.S. Department of Energy and expands the renewable energy Investment Tax Credit. How might HUD encourage or require applicants to leverage other funding for projects—such as
owner equity, other federal, state, local, and/or utility grants, loans, rebates, tax credits, and incentives?

We strongly urge HUD to incentivize but not require any leveraging for the GRRP program. The energy efficiency and electrification resources provided through the Inflation Reduction Act, and potentially through states and localities are significant but it is still unclear how and when GRRP eligible property owners would be able to access these funds. The U.S. Treasury Department and other agencies involved in rulemaking are still seeking feedback on these federal programs, and the full universe of state and local resources can be difficult to identify and navigate. As an example, for the IRA HOMES and High-Efficiency Electric Home rebates, the implementing agencies (state energy offices), are not required to submit plans to the U.S. Department of Energy until late 2024. And while we think it is unlikely, states do still have the option to forgo the funding for these rebates. We recognize that there is an urgency to begin distributing GRRP funding, and requiring owners to leverage these funds that have extensive timelines would prevent timely deployment. Further, requiring specific leverage ratios or alignment with other programs could hinder this program given timing uncertainties and the significant demands on the working capital of most affordable housing providers in this challenging economic climate. Identifying and applying for these resources also requires significant capacity that could discourage participation by owners less experienced in energy efficiency activities and those operating in jurisdictions that make fewer resources available. Incentives for leverage could include an enhanced financial incentives for owners, priority application processing and flexibility in scope and timeline. As an example, for the deeper energy retrofit pathway, a project could include an expected scope of work, as well as an addendum, should additional funding be leveraged. For a project that may be pursuing significant envelope retrofits, it is likely a good candidate for a solar + storage project. However, the owner could run into the scenario that all ITC solar tax credits have been distributed for the year and the project cannot proceed without that funding source. In that case, it could be valuable to have a HUD approved scope of work that could be added as an addendum, should the owner be able to access that tax credit in the following year.

In addition, we would recommend that the leveraging would be used to streamline the application and approval process, not to prioritize one project over another. Where a project includes another state or local public funder conducting underwriting review, HUD should rely on that agency’s assessment that the project is accessing all available resources and not conduct its own duplicative review of resource availability or costs specifically covered by another source.

4. **HUD seeks to design this program to enable deep retrofits of multifamily properties—retrofits that would likely not be possible without this funding. Certain markets are more primed to deploy deep and resilient retrofits in the multifamily sector, while others may lack the state and local infrastructure and workforce for delivering retrofits in this sector. While HUD seeks to maximize impact, how can HUD best ensure that funding is distributed equitably?**

HUD can support more equitable distribution of GRRP funds by creating a program with several different pathways that allow for all owners, regardless of experience with energy efficiency, decarbonization and resiliency to begin the process to access these funds. To further support equitable distribution using the pathways described above, HUD should implement a two-step application process for traditional energy- and water-efficiency retrofits: 1) a short, simple pre-application that can be completed by someone less familiar with energy efficiency to ensure that applicants meet minimum eligibility criteria and make technical assistance available for under-resourced owners that are approved in this step to develop a (2) full application.
A two-step process ensures that under-resourced building owners that lack the resources and capacity to submit a fully designed project proposal have an opportunity to compete with better-resourced building owners. Building owners whose proposals reach the second stage should have access to technical assistance and support to develop full project designs within a specified timeframe. A pre-application process will also allow HUD to evaluate a range of projects that meet different diversity criteria including populations served, geographies and measures to be implemented before committing funds.

5. **HUD’s ability to achieve its goal of benchmarking energy and water use for the majority of HUD-assisted multifamily portfolio rests on the availability and accessibility of whole-building aggregate energy data.** What role can HUD play to support greater access to this utility data? What opportunities exist for HUD to engage utilities and/or public utility commissions to make this data readily available to our multifamily building owners? What incentives, financial support, and/or technical support would encourage owners to participate and get their properties benchmarked?

The greatest barrier multifamily housing providers face in collecting energy and water consumption data is the reluctance of utility companies to provide the data due to concerns about tenant privacy, IT system limitations and limited staff and resource capacity. Even where data is technically available, there can be significant costs to owners in collecting and analyzing benchmark data, which must also be addressed. HUD should use its convening power, communications platforms and consider management fee incentives and use of GRRP funding to encourage benchmarking participation.

HUD should convene a working group to write model language for use by Public Utility Commissions (PUCs) directing utilities to create energy and water benchmarking data request programs, for use by consumers, building owners, governments and lenders. At a minimum, utilities should make aggregated/whole building data available to owners and unit-level data available to tenants, including both consumption and cost data. HUD could further conduct or support an outreach and education campaign to state PUCs, their consumer advocates and utilities to persuade PUCs to require their utilities provide the data upon request, as per above.

Further, HUD should work with the Environmental Protection Agency to develop best practices/case studies of utilities that have successfully implemented data access systems. While some examples existing, resources are dated, and more current and expansive examples could be useful.

For projects that complete retrofits under GRRP, HUD should require both owner-paid and tenant-paid utility account data to be collected, with waivers available as needed. This will allow HUD to easily benchmark the impact of the program and for the owner to understand and realize the savings associated with it. At this time, there are three likely scenarios that HUD should consider, and the strategies to ensure that data collection can happen will be different for all three:

a) The owner can already access and is collecting data. This scenario would be applicable to DOE BBC participants, those located in jurisdictions where there are incentives or mandates for benchmarking, etc. We would suggest potentially providing an incentive to these owners to continue collecting this data.

b) The owner can access data but is not currently collecting it. In this scenario, the utility would have a platform to access both owner-paid and tenant-paid data, but the owner is not yet participating. We would recommend that incentives be provided comparable to what is available through the BBC, where there are management fee add-ons available to cover the
costs of benchmarking. In both scenario 1 and 2, we would recommend the management add-on fee be accessible for at least 10 years, similar to the BBC.

c) The owner cannot access the data due to utility or state level policies or practices that prevent access to tenant data. In this scenario, we would recommend that HUD consider offering a pathway that would allow submetering costs to be included in the scope of work. According to the Enterprise Green Communities’ 2015 Incremental Cost Survey, per unit costs range from $400-3,000. As these costs will vary greatly by building type and electrical set up, we would not recommend requiring this pathway. As an alternative, HUD should consider an enhanced management fee add on to encourage owners to pursue the data. In some cases this may take so long to gather data and the fee to continue incentivizing the owner to pursue it may become so great that submetering may be a more viable option. For example, one SAHF member has several properties in a given utility’s territory. They gather resident release forms from every resident and then submit them to the utility. The Utility charges $400 per building on an annual basis. The owner then must ask their third-party data collector (Yardi) to follow up multiple times. The owner eventually had to engage their legal counsel to access the data. And once they received the data, it had to be manually fed into a data management system.

6. What equity considerations should HUD consider when implementing property retrofits and benchmarking? HUD-assisted properties exist nationwide, and they disproportionately serve residents who are otherwise underserved by housing markets, including people with disabilities, older adults, and people from communities of color.

HUD should consider the opportunity to prioritize properties and projects that can demonstrate that the benefits would go to those identified by the tenets of the Administration’s Justice40 initiative. As there are more properties located in identified communities than GRRP funds available, SAHF would recommend that HUD expand to consider the following three equity factors:

1. Properties where majority of the population identifies as Black, indigenous and/or people of color.
2. Properties located in census tracts that experience higher energy burdens, as identified through the DOE LEAD tool.9
3. Properties in states and jurisdictions that are under-resourced for energy-related work or have few or no policies that would incentivize or require these types of retrofits to occur.

The first two factors are easily identifiable by the applicant; however, the third factor should be identified by HUD. SAHF recommends that HUD look to resources like the ACEEE 2022 Pathways to Healthy, Affordable, Decarbonized Housing: A State Scorecard or the annually produced ACEEE State Energy Efficiency Scorecard to prioritize projects in states and jurisdictions that fall into lower rankings, where resources are limited for affordable housing owners. For renewable energy-related projects, HUD could consider prioritizing projects in states that rank lower in The Institute for Local Self-Reliance 2021 State(s) of Distributed Solar.

SAHF would recommend that these equity factors be prioritized for the traditional energy-efficiency projects, lessening the likelihood that a project is funded in a resource-rich location (e.g. large utility rebates, free technical assistance, etc.). These factors should also be presented transparently in the application process to ensure that an affordable housing owner does not apply for a project that is unlikely to be prioritized.

SAHF would also recommend that these equity factors, especially equity factor #3, be weighted differently for the deep retrofit projects, as they already face significant financing and technical barriers, and are more likely to be important case studies that can support the development of best practices for broader adoption. In this case, these projects will likely need to be in states and jurisdictions that have enabling policies and potential funds and technical assistance to leverage.

Additionally, resident voice and engagement in decision-making is key to equity in all transactions. Given that the universe of GRRP eligible properties disproportionately serve populations who have frequently had their voice and power stymied by systems and federal programs, it is critical that this program incorporate principals designed to acknowledge the experience of residents and offer meaningful opportunities for engagement and agency. HUD should encourage meaningful opportunities for resident input that still recognize timing pressures related to funding. Residents who call the property home are the greatest experts in the comfort and function of units. In developing a scope, owners should consider the benefits of retrofit activities to residents. SAHF has developed a toolkit that may be resource. Further, owners should consider whether there are parts of the scope where residents may be able to help select between options or provide valuable input. A case study from SAHF member [Community Housing Partners](#) provides one example. Finally, once a scope is finalized, owners should clearly communicate with residents on the activities and consider how implementation will impact residents. HUD can help advance resident voice and engagement by making resources available to owners and creating and supporting resident facing materials.

Meaningful resident engagement requires significant staff level effort, can include translation of documents, multimodal communication, and time. HUD should support a resident-centered approach by creating project timelines that both allow adequate time to assemble a competitive application and receive resident input through the process. The process should not assume that scope development progress on the retrofit run concurrent with tenant engagement. HUD should also acknowledge these costs and make modest funds available to support pre- and post-retrofit engagement.

7. This will be the first HUD program to target multifamily properties nationwide with property-level resilience interventions at this scale. How can and should HUD evaluate resilience needs and the effectiveness of these interventions, considering the variety of natural hazards and that the effectiveness of many resilience strategies are truly tested only when a disaster event strikes? How should HUD balance geographic disparities in the needs for resilience interventions (i.e., more frequent in coastal areas) and the availability of other funds, from HUD and other agencies, for recovering from disasters?

Climate resilience investments are more difficult to finance because they do not directly and immediately generate cost savings for property owners the way that water- or energy-efficiency investments do, yet they are critical to reducing the risk exposure for residents who can least bear the cost of climate impacts. As HUD considers what climate risks the GRRP will focus on, we recommend that HUD not lose sight of the need to build robust data, solutions, and best practices around solutions to climate risks that also serve or complement decarbonization. Some consistency among funded projects will be useful to realize and leverage those learnings and solutions.

It is critical that GRRP-eligible property owners and operators understand their unique regional exposure so they can determine their highest risk properties and protect the households living in their buildings from the range of risks. Accordingly, HUD should require owners pursuing full energy efficiency retrofits
to assess their climate risk using simple web-based tools such as First Street Foundation’s Risk Factor\(^{10}\), Enterprise Community Partners Portfolio Protect\(^{11}\), or the FEMA National Risk Index\(^{12}\). These web-based tools only require a property address and quickly provide accurate data and resources. It is important to note that these tools currently contain different datasets and HUD should carefully evaluate them; some tools do not have extreme temperature data for all geographies, and this is a necessary risk to consider when owners evaluate the property. These tools help owners, operators and developers of affordable housing understand which properties are at highest risk from extreme temperatures, flooding, fire, earthquakes and other natural hazards.

While we recognize that the funding levels for the GRRP are significant, they pale in comparison to the scale of need to truly address climate resilience in the HUD-assisted portfolio. Risk factors identified through a web-based tool are important for owner- and HUD-awareness of the risks facing the HUD-assisted portfolio, but they should not be taken as a scope of work for owners to add. To best utilize GRRP funds, the climate resilience investments proposed by applicants for GRRP should complement efficiency and decarbonization strategies. For example, a property pursuing energy efficiency and renewable energy with a battery backup might also identify that there is high risk for extreme temperature or wind events, and power outages are more likely. In this case, it would be appropriate to propose expansion of the scope to structure that system to support an on-site community resilience hub to support residents on the property.

This example demonstrates that climate resilience strategies are very project and location specific, and we recommend HUD consider a list of eligible resilience measures that align with decarbonization to remain broad and flexible to accommodate local circumstances and should focus, where applicable, on closing the cost gap from standard practice to resilient practice.

Finally, although resiliency investments reduce the risk of property losses, these risk reductions are not always reflected in reduced insurance premiums. HUD could play a helpful role in convening multifamily insurance industry leaders to encourage commitments to capture resiliency-related risk reductions in premium savings, which would begin to provide better financial incentives to make these (often costly) investments.

Thank you for the opportunity to offer recommendations for the implementation of this consequential program. We would be happy to further discuss any of our comments or provide any of the referenced resources. Please contact us at aarnold@sahfnet.org or lwestmoreland@sahfnet.org.

Sincerely,

Althea Arnold
Senior Vice President, Policy

Lauren Westmoreland
Vice President, Energy and Sustainability

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\(^{10}\) First Street Foundation, Risk Factor. https://riskfactor.com/

\(^{11}\) Enterprise Community Partners, Portfolio Protect Tool. https://www.enterprisecommunity.org/impact-areas/resilience/building-resilient-futures/portfolio-protect