

H.R. 2336, THE GREEN ACT OF 2009, PART II

HEARING
BEFORE THE
SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS
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CONTENTS

	Page
Hearing held on:	
June 16, 2009	1
Appendix:	
June 16, 2009	11

WITNESSES

TUESDAY, JUNE 16, 2009

Sims, Hon. Ron, Deputy Secretary, U.S. Department of Housing and Urban Development	3
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APPENDIX

Prepared statements:	
Sims, Hon. Ron	12

H.R. 2336, THE GREEN ACT OF 2009, PART II

Tuesday, June 16, 2009

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:47 p.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters, Cleaver, Green, Himes; Capito, and Jenkins.

Also present: Representative Perlmutter.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order.

Good afternoon, ladies and gentleman. I would like to thank your ranking member, Mrs. Capito, and the other members of the Subcommittee on Housing and Community Opportunity for joining me for a second hearing on H.R. 2336, the GREEN Act of 2009. Without objection, Representative Perlmutter, the author of this legislation, will be considered a member of the subcommittee for the duration of this hearing.

Before we begin, I would like to note that H.R. 2454, the American Clean Energy and Security Act of 2009, is not the subject of today's hearing. While I understand member interest in this legislation, today's hearing is focusing solely on the GREEN Act.

Our first hearing on this legislation was last Thursday, June 11th. At that hearing we heard from real estate experts, homebuilders, architects, green building experts, and affordable housing developers about the importance of green affordable housing, especially for low-income families. Today we are joined by the Honorable Ron Sims, Deputy Secretary of the Department of Housing and Urban Development, who will share HUD's perspectives about this legislation.

As the largest operator of affordable housing in the Nation, HUD—and the low-income families it serves—is severely impacted by high energy costs. The Department spends an estimated \$5 billion annually on energy, more than 10 percent of its annual budget, through utility allowances and connection with rental assistance payments and indirect operating subsidies to public housing authorities. By implementing energy savings of 5 percent a year over 5 years, HUD could realize \$1 billion in savings. The requirements of the GREEN Act could contribute to these savings.

These savings would also benefit the 5 million families who reside in public or assisted housing. As we learned at last week's hearing, low-income families are more likely to be adversely impacted by high energy costs. These families are more likely to occupy older and less energy-efficient buildings. According to one study, they spend approximately 16 percent of their annual income on energy, which is 4.4 times more than higher-income families spend.

As a result, some families must make the difficult choice of heating their homes or seeking other necessities such as medical care, food, or transportation. No family should have to make these kinds of choices. Affordable energy should be available for everyone.

I am very interested to hear the Department's perspective on how the green building provisions in the GREEN Act will assist in development of energy-efficient housing, protecting the environment, and providing affordable clean energy to low-income families.

I would now like to recognize our subcommittee's ranking member to make an opening statement. Mrs. Capito?

Mrs. CAPITO. Thank you. I would like to thank the chairwoman for her dedication to housing and green housing. I would like to thank the bill's sponsor, Mr. Perlmutter, because he has worked this issue very aggressively, and I think made a lot of changes in response to questions that many members might have had.

I don't have a formal opening statement. I am interested to hear our witness in terms of past programs that HUD has been involved in to encourage energy efficiency, what kind of success those programs have had, and how they can be reshaped. If this bill were to become law, would it interfere, enhance, or otherwise—are there any potential conflicts inherent in the incentives built in for green building here as opposed to what is already existing in HUD?

I think the goals are laudable and I believe that energy efficiency will result in cost savings all across-the-board individually and as a whole. So I thank the witness for coming and I, again, want to thank the chairwoman for her kindness. Thank you.

Chairwoman WATERS. Thank you very much. I will now recognize Mr. Himes for 5 minutes.

Mr. HIMES. Thank you, Madam Chairwoman, and thank you very much, Mr. Sims, for being here today.

I am very, very excited about this topic and about the legislation that was authored by my colleague, Ed Perlmutter of Colorado. I spent 5 or 6 years working with Enterprise Community Partners on trying to instill green building standards into the construction of affordable housing.

It is a triple win. It saves people money on their utility bills, and we are talking about people for whom, of course, utility bills are a substantial portion of their monthly cash flow. It solves health problems in communities where health problems are often concentrated, and of course it contributes to the exercise that we are all engaged in here, in fact globally engaged in, trying to reduce the amount of pollution that we put into the air and reverse the tide of global warming. So I am enormously excited about the content of this bill.

Thank you for being with us. I hope that we can work together in the coming months to really see this bill passed through Con-

gress, signed by the President, and adopted enthusiastically by HUD so that we collectively, and of course the people that HUD serves, can take advantage of the many, many benefits that come from building smarter and building greener. I am delighted you are here and I am looking forward to your testimony.

Chairwoman WATERS. Thank you. Ms. Jenkins? No?

Mr. Cleaver?

Mr. CLEAVER. Madam Chairwoman, I don't have any questions. We have had, I think, some very beneficial hearings, and I wanted to thank Mr. Perlmutter for his vision. I strongly support his efforts. I think this kind of legislation is long overdue, and I yield back the balance of my time.

Chairwoman WATERS. Thank you very much.

Mr. Perlmutter, without objection, you will be considered a member of the subcommittee for the duration of the hearing. I understand you don't have a statement at this point. Yes?

Mr. PERLMUTTER. Thank you, Madam Chairwoman, and thank you to the committee for letting me participate.

Just a quick statement. This bill is the development of a task force which was comprised of Republicans and Democrats. We worked with a lot of organizations, and I just wanted to thank HUD for from time to time providing some input and guidance on this bill, and they have worked with us to develop this and to move towards energy efficiency which, again, is kind of a triple win. It is good for national security, it is good for the climate, and it is good for jobs, so I look forward to your testimony today, sir.

Chairwoman WATERS. Thank you very much. We have been joined by Mr. Green. I will recognize Mr. Green for an opening statement.

Mr. GREEN. Thank you, Madam Chairwoman. As has been indicated, I too am looking forward to the testimony, and I yield back the balance of my time. Thank you.

Chairwoman WATERS. Thank you very much. There are no more opening statements.

We will now go to our witness, our only witness today who is with us, the Honorable Ron Sims, Deputy Secretary of the United States Department of Housing and Urban Development. Welcome, sir. You may begin.

STATEMENT OF THE HONORABLE RON SIMS, DEPUTY SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Chairwoman WATERS. Is your microphone on?

Mr. SIMS. I was told I would have—I have only been here for 4 weeks. I am still getting used to these microphones. I apologize.

Good afternoon, Chairwoman Waters, Ranking Member Capito, Congressman Perlmutter, and distinguished members of the subcommittee. It is my pleasure to be here. I want to commend you, Congresswoman Waters, for your leadership on this issue, as well as Congressman Perlmutter for his commitment to energy efficient affordable housing and for his hard work on this bill.

The GREEN Act represents an important effort to address the high cost of heating, lighting, and cooling housing in the United States, especially affordable housing. I understand that this bill

passed the House last year and that HUD staff have been helpful in providing you with technical guidance. I want to pledge to you our continued cooperation and assistance as we go forward.

Before coming to HUD, I was the King County executive, an elected position in one of the largest counties in the United States, where we developed one of the most cutting-edge green building and smart growth programs in the country. Secretary Donovan has a clear vision on these issues. He is creating a new Office of Sustainable Housing and Communities at HUD, and has asked me to oversee, as one of my functions, that office. In that capacity, I will be responsible for synchronizing our efforts with those across government, and for implementing HUD's green building and energy efficiency initiatives, as we bring some of the best ideas to build strong, sustainable communities that are being developed at the local level to the national stage.

So I have a strong interest in the outcome of this legislation. I have submitted a longer statement for the record, but I would like to focus my remarks on one of the questions that you asked me to address. What is the effect of green development on low- and moderate-income households and communities? It is an important question because some are concerned that the so-called green premium—that is the added cost of building green can hurt rather than help low-income families.

Put simply, I do not subscribe to that view at all. I believe that we can't afford not to build green. I am committed to making HUD a leader in green development, precisely because of the benefits it will provide to people across the economic spectrum, and low-income families in particular.

First and foremost, we need to dispel the notion that green building will mean higher energy costs for low-income families. While everyone is hurt by high energy costs, no one is hurt more than—no one is more vulnerable to rising energy prices than low- and moderate-income families, often cutting back on their other needs such as medicine, food, and education when costs go up. Large-scale green initiatives such as the Enterprise Green Communities program show that properties achieving 20 to 30 percent greater efficiency yield cost savings that accrue directly to low-income residents, or are reinvested back into property in which they live.

HUD's own budget is compromised by skyrocketing energy costs. HUD spends \$5 billion on energy for our public housing and Section 8 operations. A modest savings of just 5 percent could generate a savings of more than \$1 billion for the taxpayers over the next 5 years.

I am pleased to report that under Secretary Donovan's leadership, HUD has made an historic commitment to energy efficiency that began with the economic recovery package. We have established partnerships with the Department of Energy, the EPA, and the Department of Transportation. And we have several exciting Fiscal Year 2010 budget proposals, including a \$100 million Energy Innovation Fund that will seed local energy retrofit funds and re-engineer FHA's Energy Efficient Mortgages. This will help families invest in energy efficiency when they buy a home or refinance their home mortgages.

Sustainable green building has a clear connection to better health as well. In King County, we did a study called HealthScape, which looked specifically at how the built environment and transportation systems impact public health and climate change. What we found was that while people living in the most walkable communities of the county were less likely to be overweight and were more likely to be physically active, wide health disparities existed between low-income families and persons of color and the rest of the population. Right now, we can predict morbidity rates and life expectancy by zip codes. A zip code! Place matters.

But as we saw in the High Point public housing project development in King County, a commitment to building green can be a big part of rejecting the certainty of illness for millions of children. In addition to walkability, by adding green features specifically designed to reduce asthma triggers, the number of asthma-free days increased, and mold, which often causes dangerous infections—I'm an asthmatic—was completely eliminated.

[The prepared statement of Deputy Secretary Sims can be found on page 12 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Sims. That is one of the things you will learn about the committee. We do gavel at about 5 minutes.

Mr. SIMS. I do appreciate that.

Chairwoman WATERS. We do have a little bit of flexibility.

Welcome.

Mr. SIMS. Thank you.

Chairwoman WATERS. Thank you for coming today. At this point, we get to ask you questions.

Mr. SIMS. Please.

Chairwoman WATERS. I will recognize myself for the first 5 minutes of questions. Basically, mine is a general one.

We hear a lot about saving energy costs by going green, and we hear a lot of talk about the jobs that will be created. Coming from King County, did you, with the work that you were doing, experience job creation, and were there a lot of jobs that came about as a result of going green?

Mr. SIMS. We worked with South Seattle Community College to specifically design programs for people who would not otherwise be employed to enter the green industry. And in the projects that we built green, we used that workforce. We wanted to develop a new one with the skills to handle new green technologies, whether those were smart grid technologies, whether those were wind technologies. So the answer is yes, we believe that in fact building green creates new employment opportunities, new industries, new technologies, and is a job creator.

Chairwoman WATERS. As you know, HUD has the responsibility for all of the public housing in the United States, and I do believe that we can create a lot of savings, even before we redevelop and retrofit, but there does not appear to be any effort to educate residents of public housing about how they can conserve energy, and I have not seen any program of incentives to do so. I believe that if we put on an education program to show the residents how they can save energy and provide a few incentives to do so, that we could save a lot of money.

As a matter of fact, I think we could reduce our energy costs significantly while at the same time, maybe giving a few dollars off the rent as an incentive for turning off the lights and being more energy efficient. Do you think this is the kind of program that could help us in our efforts to go green and to create savings?

Mr. SIMS. I believe it is important to have an educated group of individuals who are your tenants know how to use energy efficiently within their home. But there still is an obligation to provide capital investments that would be present to also complement their own efforts at reducing their energy costs. I think you need to do both.

We have created an Office of Sustainability and have been working with public housing authorities; our issue with them is how do we do the retrofits. We are doing those very aggressively through the stimulus funds. And we are applying the energy efficiency retrofits in a variety of different ways in order to find out what is the best methodology to achieve energy efficiency, both through education and capital investment. But we are doing that with the stimulus funds now.

Chairwoman WATERS. Well, thank you very much. Again, welcome. Your work is cut out for you, and perhaps you will be over here with us many more times.

Mr. SIMS. Madam Chairwoman, I look forward to that. Thank you.

Chairwoman WATERS. Thank you very much. Mrs. Capito?

Mrs. CAPITO. Thank you. Thank you, Mr. Sims.

I had a couple of questions, they are kind of specific, but let me just ask you, you have been at HUD for what, a month? Is that correct?

Mr. SIMS. Four weeks.

Mrs. CAPITO. Four weeks. So I will forego a lot of the specificity, if that is all right with you.

In section five of the bill is a demonstration project for multi-family housing projects for Section 8, and it calls for 50,000 units over 4 years. It seems like, in my view—and there are some qualifiers in here—from your knowledge of Section 8 and the available funds and the availability of units, is this a reachable goal? Is this something that you think under that very large program is something that is achievable, or do you have an opinion on that?

Mr. SIMS. The Department is committed to using Section 8 in a way to create energy efficient homes. I think obviously we are concerned about the cost—there are other issues related to Section 8. But we are committed to trying to green our inventory and that of people who are our partners as well. We would like to work with the committee on that particular issue.

Mrs. CAPITO. I would speculate, then, some—and there is some flexibility, I believe, built into this section if it is not achievable in 4 years. I would recommend that, because that is a pretty steep mountain.

The other question I have, and I don't know if you have read this specifically, but there is a section six that goes for additional credit for Fannie Mae and Freddie Mac housing goals for energy efficient mortgages. Under the current environment with Fannie Mae and Freddie Mac basically being taken over by the government and

having difficulties, very large difficulties, do you see any problems with putting another mission, I would say, rather than mandate—it wouldn't be a mandate—mission to Fannie and Freddie where they would receive 100 percent, 25 percent credit? Do you have any opinion on that section of the bill?

Mr. SIMS. Within our own budget we are—2010 budget, we are creating a revenue regarding what we can do in FHA in terms of energy efficient mortgages and location-specific mortgages. When you look at the GSEs and their ability to provide incentives, our issue is what is—will the market respond and how will it respond?

We believe that—we have taken what we call a cautious, but we believe a prudent, step at putting money in the 2010 budget to begin to explore how to make that market, what makes it attractive. And so we are doing that in our 2010 budget and we believe that would be a good demonstration for a larger effort, but we want to at least know how to do it first, and will the market respond.

Mrs. CAPITO. My final question is, I am from a rural part of the country, and many of the standards that are—whether it is LEED or some other standards, green building standards—the urban areas, I would say, are traditionally leading, more on the—well, there are more people, there are more educational facilities, people are experimenting more with energy efficiency.

My concern is—and I voiced this, and Mr. Perlmutter and I talked about this—that if we are setting a goal in a State like West Virginia to achieve energy efficiency and to try to get some of the financial benefits that would be associated with that in terms of more favorable mortgages or anything of that nature, I'm concerned are we going to have enough inspectors who are trained in this to really make an evaluation? Are they going to be able to travel to the rural areas to be able to ascertain—

I don't want to see a situation—we want to incent everybody to move in this direction, and I think if you can't find somebody to really do a true, good evaluation of your home structure or your business structure because of the lack of availability of somebody there to actually make that determination—I would like to work with the sponsor and with HUD for the education portion of this, because I think it is going to be really important that it reaches all areas in the country.

Mr. SIMS. I look forward to having that meeting with you. We would love to work with you on that.

Mrs. CAPITO. Thank you.

Chairwoman WATERS. Thank you very much.

Mr. Cleaver?

Mr. CLEAVER. Thank you, Madam Chairwoman.

Mr. Secretary, welcome. We are glad to have you here.

One of the things I hope we can do with this legislation—and this may also actually need to be discussed with Mr. Perlmutter—is that this would be living legislation in the sense that as new technologies become available, I would hope that we would have the flexibility in this legislation to make adjustments. I mean, even just since Mr. Perlmutter's introduction of this bill, we have discovered, for example, that white rooftops on buildings reduce energy costs substantially, and when we think about public housing—hav-

ing lived in public housing—is something that is probably not going to be a major cost, but it could be a major savings.

The other question is my interpretation of this legislation that I want to make sure is correct, and that is that the green collar jobs that will be needed to do the work will also be available through training in this legislation. Am I on board? Residents and—

Mr. SIMS. Yes, that is correct.

Mr. CLEAVER. I have no other questions. Thank you. I yield back the balance of my time.

Chairwoman WATERS. Thank you very much.

Mr. Green?

Mr. GREEN. Thank you, Madam Chairwoman, and I thank the witness for his testimony.

The bill, as I see it, is one that I am going to gladly support. Mr. Perlmutter has done an outstanding job in working this, and I am especially pleased that he has chosen to add my name to it. It makes it a lot easier to support.

[laughter]

Mr. GREEN. When I am home and I'm talking about the GREEN Act, I will be sure to mention you at some point.

But on the serious side, I want to ask you about the revolving fund. I think this is a capital idea, and I think that it is something that would be of great benefit to the States. Is this something that you agree with me on?

Mr. SIMS. I think we want to make sure that if we establish a revolving fund that there is a method of ensuring its continued refreshing as a condition of investment in the future.

Mr. GREEN. Well, absolutely. We want to continue it, and I will assure Mr. Perlmutter that I'm going to do what I can to help him with that. I think that is a key part of the legislation.

Thank you, Madam Chairwoman. I yield back the balance of my time. Thank you, sir.

Chairwoman WATERS. Thank you very much. I will call on the author of the bill and grant him as much time as he sees fit. This will be the first and the last time that he will ever have that much time. Mr. Perlmutter, thank you.

Mr. PERLMUTTER. Thank you, Madam Chairwoman, and I really will be brief. I appreciate the gentleman for his testimony, and thank you.

I would first ask two questions that you and the ranking member asked, Madam Chairwoman. In section 18 of the bill—there are a lot of sections to this bill—there is the training and education—that is one of the training and education sections for both training as to construct and install energy efficient measures, but also how to conserve, which would be from the tenant's spot. Also there is a piece in there about energy audits as well, which I know is Mrs. Capito's concern, is there somebody who really can appraise and understand how to retrofit the house, and what it is worth, and those things.

So we tried to address that, but I am certainly happy to take all comments and make changes that are necessary. There are also several rural housing pieces and desire to make sure that whether they are Native American housing issues or rural housing issues,

wherever they might be in the country, that we try to address that as well. I think, Mr. Secretary, you would agree.

And then the last thing is there is a lot of discretion given to the Secretary in this bill to update and to try to stay up with the technology and the changes in codes and things like that throughout the country so that HUD really is at the forefront of energy efficiency, both—it assists the tenants, clearly, and it assists the bottom line of the United States of America so that we can try to minimize our energy costs.

I would ask you one question, Mr. Secretary. There is an interesting section that is a new section from what we proposed last year, and that has to do with leasing of units, the concept being that in building a new home, the homebuilder or homeowner grants an easement on the roof to the solar company, and then the solar company for a certain period of time leases the solar energy unit to the homeowner who rents it for \$40 a month, but he has \$80 a month in savings. So it is a good approach, no upfront costs. The solar company maintains ownership and operations and maintenance of the unit.

But where the Federal Government comes in is that at the back end of the lease, the last 10 years of a 20-year lease, there is some insurance provided by the United States to assist the whole leasing mechanism. Are you familiar with this section? I think it is section 27 of the bill. And I know it is kind of a new area that we are asking HUD to move into, but what are your thoughts about that?

Mr. SIMS. I was briefed on it, and the issue of the leasing, particularly whether it is—you are talking about whether it is solar or other alternative—

Mr. PERLMUTTER. It could be any renewable source, right.

Mr. SIMS. We are doing a pretty extensive study right now on some units that we now have in place so that we can—we are going to be able to quantify what we consider to be the efficiencies by dollar that we would use to lay out what you call the lease terms, so we are very intrigued by that particular section of the bill.

Mr. PERLMUTTER. Madam Chairwoman, again, I would offer to HUD and to all the members of this committee as we go forward, this really is an attempt to have lots of input from everybody to make it the best bill that we can get out of this place, and to be good for low- to moderate-income earners across the country, but also move us to an energy efficient and renewal energy future.

So I would yield back, Madam Chairwoman, and I just thank you for the opportunity to be part of your committee.

Chairwoman WATERS. Thank you very much. This may be a record time for having a hearing on any subject in this committee.

I would note that some members may have additional questions for this witness which they may wish to submit in writing, so without objection, the hearing record will remain open for 30 days for members to submit written questions to this witness and to place his responses in the record.

This panel is now dismissed.

Do we have any submissions to make a part of the record? If not, this subcommittee is adjourned, and we thank our witness here today. I'm sure, again, we will see a lot more of you in the future.

This subcommittee is adjourned.

[Whereupon, at 3:18 p.m., the hearing was adjourned.]

A P P E N D I X

June 16, 2009

WRITTEN STATEMENT

RON SIMS, DEPUTY SECRETARY

U.S. Department of Housing and Urban Development

**Hearing before the
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
United States House of Representatives**



"H.R. 2336, the Green Resources for Energy Efficient Neighborhoods Act of 2009"

June 16, 2009

Good morning Chairman Waters, Ranking Member Capito, Congressman Perlmutter, and distinguished members of the Committee. Thank you for the opportunity to testify on behalf of the Department today on the GREEN Act.

I want to commend you, Madam Chair, for your leadership on this issue, as well Congressman Perlmutter for his strong commitment to energy efficiency and green building through HUD's programs and in the affordable housing sector at large. I know that this bill was passed last year by the House, with strong support from Chairman Frank. I understand that HUD staff have been helpful to you in providing you technical comments on the bill, and I want to assure you of our continued cooperation and assistance as we go forward.

Before coming to HUD, I was County Executive in King County, Washington, where we instituted a strong green building and Smart Growth program. Secretary Donovan has proposed creating a new Office of Sustainable Housing and Communities at HUD, and has asked me to oversee that office. In that capacity I will be responsible for implementing HUD's green building and energy efficiency initiatives.

In King County, we did a study called HealthScape, which looked specifically at how the built environment and the transportation system impacts public health and climate change. We found that people living in the most walkable areas of the county were less likely to be overweight and more likely to report being physically active.

Further, people who live in these walkable areas drove 26% less than people living in the most sprawling communities. More importantly, this study showed us that we, as a local government can influence health and climate change through our actions that shape the built environment.

But we also found that there were wide disparities between health for low-income families and minorities than the majority population. That unfortunately is also true in the energy area. While everyone is hurt by high energy costs, low- and moderate-income families are especially vulnerable to rising energy prices. A survey by the National Energy Assistance Directors Association found that many working households accommodate increases in energy by cutting back on other needs, such as medicine, food, or education.¹

I'm pleased to report to you today that Secretary Donovan has significantly ramped up HUD's commitment to improving the energy efficiency of the 5 million units subsidized by various HUD programs – through the expenditure of Recovery Act funds, through our FY 2010 budget proposals, as well as through partnerships with the Department of Energy, the Department of Transportation, and the EPA.

HUD's own budget is directly impacted by utility costs. HUD spends an estimated \$5 billion on energy, either directly in the form of public housing operating subsidies or indirectly through utility allowances and Section 8 contracts in assisted multifamily housing. This is an area where significant cost savings are possible, freeing revenue for other important capital investments or rental assistance needs. For example, a modest savings of just 5 percent per year could generate a savings of \$1 billion over the next 5 years.

¹ National Energy Assistance Directors' Assn, *2008 Energy Costs Survey*, June 6, 2008.

The overall cost of utilities in public housing (including water and sewer charges) in 2006 totaled \$1.85 billion, including an estimated \$421 million that was spent through utility allowances on tenant-paid utilities. Utility costs have also increased in assisted housing. Average owner-paid per-unit utility costs increased by 28 percent between 2000 and 2005. In addition, HUD spent an estimated \$3.2 billion on project- and tenant-based utility allowances in 2007.² The average tenant-based Section 8 utility allowance is now \$1,467/year.

So, high energy costs in federally subsidized housing are critical to the overall health of the portfolio, and to the welfare of the residents. HUD has made an unprecedented commitment to energy efficiency, beginning with the economic recovery package enacted by Congress earlier this year.

Some \$4 billion in Capital Fund dollars is going to public housing authorities (PHAs) for modernization, including energy efficient upgrades. HUD has awarded nearly \$3 billion to PHAs through formula grants, and later this year will award nearly \$1 billion competitively, of which \$600 million is specifically allocated to high performing energy efficiency projects, as well as green projects that meet Enterprise Green Communities standards. In addition, approximately \$250 million will fund green energy retrofits in multifamily housing with project-based assistance, and additional funds will be available through the competitive portion of the Native American Housing Block Grant program, as well as through the second round of the Neighborhood Stabilization Program, both of which have strong incentives for improving the energy efficiency of buildings.

To leverage these funds, HUD formed a partnership with the Department of Energy (DOE) to coordinate investment of Recovery Act funds that could be used for energy efficiency in housing. These funds provide a unique opportunity to accelerate deployment of energy efficient and green building technologies and at the same time help create a highly qualified, highly trained, and high-performing workforce.

HUD's partnership with DOE includes the development of a common set of guidelines and specifications for retrofitting public housing, as well as privately-owned, federally-subsidized rental properties. These guidelines will assist housing authorities on how to use Recovery Act funds to "go green" through sound energy efficient building practices.

The two agencies also signed a Memorandum of Understanding to explore the elimination of duplicative income verification requirements, in order to streamline the evaluation of eligibility of public and assisted housing under the DOE weatherization assistance program.

In the broader housing market, HUD will work with DOE and the emerging home performance industry to develop a common baseline for measuring home energy use and the gains from efficiency improvements. HUD has also proposed a new Energy Innovation Fund (EIF) in its fiscal year 2010 budget that will provide financing for energy efficiency in the residential sector. It will address the broader housing market by leveraging private sector (utility and other third party) financing to stimulate the development of model residential energy efficiency retrofit initiatives in specific markets.

² See HUD Energy Progress Report to Congress, November 2008.

In addition to supporting local energy funds, the Energy Innovation Fund will also re-engineer FHA's mortgage products, both in the single family and multifamily sector, to support energy efficiency lending. By re-engineering the product and providing incentives for consumers, we hope to greatly expand the reach of this product to enable home owners to include energy efficiency improvement as part of their refinancing transaction, or at the time of purchase.

In addition, an increasingly important element of all green buildings is the "location efficiency" of the property. Most green building programs provide additional points for housing that is located at or near transit, or provides access to close-in or walkable amenities and services. This is critical in times of rising gas prices.

On average, Americans spend more than half of their incomes (52 percent) on housing and transportation. HUD has joined with the Department of Transportation to look at housing and transportation in a coordinated, integrated way. HUD is proposing to strengthen regional housing, transportation, and land use planning by funding \$100 million in regional planning grants that will help metropolitan and rural areas develop regional plans focusing on housing and transportation and other regional issues. We will also be looking at the location efficient mortgage concept referenced in H.R. 2336.

Moving now to H.R. 2336, I would like to commend Congressman Perlmutter and the bill's co-sponsors for the work they have done to address these issues. The bill is wide ranging and comprehensive, and in totality represents an important effort to address the high cost of heating, lighting and cooling federally-financed, assisted or insured housing. I'm not in a position to comment on all the specifics of H.R. 2336 today, but I will respond to the questions that the Committee has asked us to address.

- *Does HUD have the capacity to incorporate energy efficiency standards into the programs outlined in the GREEN Act?*

Section 4 of H.R. 2336 is entitled "Minimum HUD Energy Efficiency Standards and Standards for Additional Credit." Section 4(a) sets the minimum standard at the 2009 International Energy Conservation Code, or ASHRAE 90.1-2007 for new construction, and sets a 20 percent reduction in energy costs for rehabilitation. Section 4(b) provides for "enhanced" energy efficiency standards, which includes Energy Star for New Homes, or one of several national green standards.

Section 4(c) gives the Secretary the authority to apply these standards by regulation to "any covered federally assisted housing" which includes any structure for which any HUD assistance is provided. As currently written, H.R. 2336 gives the Secretary broad authority to apply this standard to all HUD-assisted properties, some subset of HUD's inventory, or only those initiatives specifically cited elsewhere in the bill.

Note that any new standard or set of standards applied to HUD-assisted properties in general would have to supersede or complement the standard already contained in Section 481 of the Energy and Independence Security Act of 2007 (EISA). Section 481 clearly specifies which categories of HUD properties are covered, namely,

(A) New construction of public and assisted housing and single family and multifamily residential housing (other than manufactured homes) subject to mortgages insured under the National Housing Act;

(B) New construction of single family housing (other than manufactured homes) subject to mortgages insured, guaranteed, or made by the Secretary of Agriculture under title V of the Housing Act of 1949; and

H.R. 2336 gives HUD more flexibility than does EISA in determining which programs the standard should apply. A particular issue that HUD has had to address is the language in EISA that requires the standard to be “cost effective” and that HUD shall “consult with an “advisory task force.” The time and expense involved in meeting these two provisions have made it difficult and time consuming for HUD to adopt a higher standard.

Note that the HUD minimum standard would only make a difference in those states or locations with lower codes. If the 2009 IECC were to be established today as the minimum HUD standard, in most states the HUD standard would be more stringent than the prevailing code, since the 2009 IECC has just been completed and states and localities are just starting to adopt the new code. This would establish HUD as a leader in the field, but will also be a challenge since in those states, local code inspectors; architects and engineers will not necessarily be familiar with the new code. However, 25 states have adopted the 2006 IECC, and it is likely that most of them will adopt the 2009 IECC in the near- or medium-term, in which case HUD would be following, not leading in these states.

Another consideration is whether the same standard should apply equally to different categories of HUD-supported housing: public housing; multifamily assisted housing; or multifamily insured housing. For single family FHA properties, in states where HUD standard is higher than the local code, localities and builders would need to become familiar with two codes – the prevailing local code and the HUD code. In addition, home buyers could be disqualified from purchasing new homes with FHA insurance if these properties did not meet the higher HUD standard. A higher standard may be more appropriate for multifamily properties, where owners apply for financing early on in the development process.

- *Will having the federal government take a lead in creating financing mechanisms to lower the cost of energy efficient improvements in single family and multi-family housing impact the rest of the marketplace?*

The answer is yes. The first area where a federal role could make a difference will be in leveraging private sector resources. A second area would be in bringing to scale successful models. A recent study, by Merriam Fuller, for the Vermont Energy Investment Corporation and the California Energy Commission, identified about 150 existing energy efficiency retrofit programs in the U.S. These include state programs, such as in Vermont, New York, Wisconsin, California, Pennsylvania and Oregon, as well as local programs in Chicago and elsewhere.

The issue is not the lack of programs, but that they have reached a very small share of the market. These programs have reached *less than .1%* of the residential market. The federal government can help grow that market, not through risk taking measures, but by expanding

success. That is what we intend to do through our proposed Energy Innovation Fund proposal mentioned previously: we want to provide competitive grants to programs that adopt successful models with proven records of success.

A key to success is the extent in which these programs tap local expertise or resources, such as local utilities, or private lenders, and industry experts to leverage funds and technical capacity to deliver a quality product. That's been the track record for example, of the Low Income Tax Credit, as well as the HOME program, which are typically used in combination with many other sources of financing.

A third area where federal funding can impact the rest of the marketplace is in helping create the infrastructure required to ensure that the funds are wisely spent, including the energy services, the technical expertise required to rate buildings, install the products properly and implement quality control systems and procedures.

The federal role in creating financing mechanisms to lower the cost of energy efficiency improvements is still under review; however, another area where federal financing could lead the way is in testing or demonstrating energy efficient or green building products and practices. The private sector may not be willing to invest in testing new or innovative products.

- *There is not enough data on the cost savings of making energy efficient improvements to residential homes. Will the 50,000 demonstration program create enough data to fill this information gap?*

There is actually quite a bit of information on cost savings resulting from energy efficiency, but while significant demonstration programs of any appropriate size supplement our knowledge, the objective of the Administration's proposed Energy Innovation Fund is to fund successfully "already demonstrated" programs and encourage broader adaption of such approaches by means such as leveraging private investment. Moreover, the new Green Retrofit Program for Multifamily Housing and other Recovery Act-funded programs will produce additional data on cost savings from energy efficient improvements.

Many studies have already found a significant return on some efficiency investments. A study of energy savings in single-family homes through the Department of Energy's Weatherization Assistance Program from 1993 to 2005 found that the program achieved savings of 23 percent in gas-heated single-family detached homes.³

A study conducted by Lawrence Berkeley National Laboratory of energy retrofits in 25,000 units of multifamily housing showed that energy savings ranged from 10 to 22 percent of pre-retrofit consumption.⁴ The median energy savings was 15 percent. Simple payback on energy conservation measures was 6 years in gas- or oil-heated buildings.

³ Schweitzer, Martin, Estimating the National Effects of U.S. DOE's Weatherization Assistance Program With State Level Data: A Meta Evaluation 1993-2005, Oak Ridge National Laboratory, September 2005.

⁴ Goldman, *et al.* Retrofit Experience in U.S. Multifamily Buildings: Energy Savings, Costs and Economics, 1988.

These and other studies point to significant savings resulting from energy improvements. For example, through some 200 Energy Performance Contracts in public housing, HUD estimates a cost savings of approximately \$100 million/year for an investment of \$571 million, and an average investment of less than \$4,000 per unit.

- *Are there any additional programs within HUD the Secretary may include within Sec. 4 minimum HUD Energy Efficiency Standards and Standards for additional credit?*

Section 4 of the bill sets the 2009 International Energy Code or ASHRAE 90.1 – 2007 as the minimum HUD energy efficiency standard for new construction. As noted above, there are certain demonstration and other programs specifically cited in H.R. 2336 to which the “additional credit” provision applies. The Secretary would have broad latitude under this program to apply these standards to a range of formula grant programs, as well as mortgage insurance programs. The Secretary could choose to apply the minimum standard by regulation to competitive grant programs, but in these cases we are already encouraging a higher standard than the minimum 2009 IECC standard stated in the bill - the standard for Energy Star for New Homes.

- *What are the primary challenges facing HUD’s implementation of the programs and standards that the GREEN Act will mandate?*

With regard to standards, our reading of the bill is that Section 4 (c) gives the Secretary the discretion to establish minimum or enhanced standards as cited in the bill for HUD programs. The only programs for which these standards are mandated are for certain demonstration programs cited in the bill. The primary challenge will be that grantees and/or recipients of HUD funds in those states who have not yet adopted the minimum standard (IECC 2009) would need to familiarize themselves with the higher code requirements.

Also, if there is a “green premium” associated with implementing these standards, HUD might need to raise its Total Development Cost (TDC) limits accordingly; however it should be clear that any increases in front-end development costs would be offset by lower operating costs, and that energy efficient construction doesn’t always require additional costs. Finally, grantees or loan recipients may need to adopt a “life-cycle costing” approach in order to address the green premium that may be involved. (Life-cycle costing involves taking into account both the “first cost” of an improvement as well as the energy cost-savings that will result over the life of the equipment.)

With regard to other programs, a concern that has been raised by our program offices is that some of the new initiatives, such as Section 27 (solar financing) which includes financing for manufacturers or installers, may be outside current HUD expertise, which is in the area of real estate financing.

- *What is the effect of “green” development on low and moderate income households and communities?*

“Green” development can have, and is already showing, benefits for low and moderate income households and communities. Existing research to date has shown that energy efficient housing

results in economic benefits, health benefits from improved indoor air quality, environmental benefits resulting from lower greenhouse gas emissions, and location efficiency benefits by targeting existing developed urban areas.

Experience from large scale green developments such as the Enterprise Green Communities program has demonstrated that new and existing properties achieving 20 to 30 percent greater energy efficiency generate substantial cost savings from lower energy and water usage. Such savings—hundreds of dollars per unit annually—may accrue directly to low-income residents, may be reinvested back into properties, or both. For low income families who pay their utilities, such savings can dramatically affect their cost of living.

We can also expect substantial health gains by building green. A prominent example of this is the High Point public housing development in Seattle. As a result of adding features such as low-VOC paints, adhesives, caulks, formaldehyde-free materials, ventilation systems with air filters and other measures to reduce asthma, the number of asthma-free days increased, unplanned clinical visits declined, caretaker quality of life improved, and mold was completely eliminated.

In addition to these benefits, Recovery Act funding for energy efficient building can become an engine of economic and jobs growth for lower income families and their communities. Residential construction employment, we all know too well, has fallen drastically during this recession. Energy efficient home rehabilitation and new construction have the potential to create entry level jobs opportunities for low-income individuals, when cities implement a combination of policies that promote green building, job training and labor standards. Through ARRA, the Administration is beginning to put this infrastructure in place to assure that it happens.

Madam Chair and members of the Committee, I hope this overview of HUD programs and initiatives address the challenges that we are facing as we address green building and energy efficiency in HUD-assisted properties. We are still in the process of reviewing the particulars of H.R. 2336 and will be happy to provide you with more detailed comments once that review is complete.

Thank you for the opportunity to appear before the committee today.