



State Housing Finance Agency Roles In Reducing Household Energy Costs

Case Studies



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Exhibit

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FORWARD: STATE HOUSING FINANCE AGENCY ROLES IN REDUCING HOUSEHOLD ENERGY COSTS

Foreword: State Housing Finance Agency Roles in Reducing Household Energy Costs

The mission of state housing finance agencies (HFAs) to meet the affordable homeownership and rental housing needs of their states increasingly involves policies and programs that reduce household energy costs. Simply put, state HFAs recognize helping homeowners, renters, and landlords save on energy supports housing affordability.

Two recent federal laws authorized an unprecedented amount of funding and incentives for improving energy efficiency and increasing use of renewable energy in low- and moderate-income homes and apartments. The Infrastructure Investment and Jobs Act of 2021 (IIJA) provided a one-time appropriation of \$3.5 billion (roughly 10 times the usual annual appropriation) for the Weatherization Assistance Program (WAP). The Inflation Reduction Act of 2022 (IRA) authorized more than \$18 billion in grants and at least \$36.5 billion in tax credits for housing-related energy purposes over the next 10 years.

Building on their prior energy experience, HFAs expect to play important roles in delivering, leveraging, and promoting these new resources. While HFA involvement will vary considerably by state, the agencies stand to be significant players in cutting energy expenses for the homes and projects they finance in the years to come.

Two new reports published by the National Council of State Housing Agencies (NCSHA) provide the first comprehensive review of state HFA energy-related initiatives. One report illustrates HFA activities that pre-date the IIJA and IRA through detailed case studies of seven exemplary HFA initiatives. The other examines potential new HFA roles in response to those laws, based on an assessment of the newly authorized programs and interviews with HFA staff and other experts.

NCSHA engaged Abt Associates to produce these reports and the views expressed in them are solely those of the firm. We are grateful to the research team and the HFA staff and partners who spoke with them in their research process. We also thank the Wells Fargo Foundation for its generous financial support for this project.

HFA Energy Efforts That Predate the IIJA and IRA: Case Studies¹

As of 2022, according to NCSHA survey data,¹ 16 HFAs administer the WAP program, which primarily supports energy improvements of single-family owner-occupied homes, and in some states also funds multifamily apartment upgrades. The case study of the New Mexico Mortgage Finance Authority illustrates the latter.

For many years, HFAs have encouraged energy efficiency in multifamily properties they finance through their administration of the Low Income Housing Tax Credit (Housing Credit) and, to a lesser extent, other agency programs.

¹ While this report focuses on HFA support for improving energy performance in new and existing homes, HFAs also play a major role delivering emergency assistance to help economically vulnerable households stay current on their utilities. As of 2022, according to NCSHA survey data, 13 HFAs administer the federal Low Income Home Energy Assistance program, and many agencies have used federal Emergency Rental Assistance and Homeowner Assistance Fund dollars for similar purposes.

FORWARD: STATE HOUSING FINANCE AGENCY ROLES IN REDUCING HOUSEHOLD ENERGY COSTS

A 2023 report by the Blue Green Alliance Foundation found 18 agencies “require or incentivize new construction properties to improve energy performance through an ENERGY STAR certification” through their Housing Credit programs.ⁱⁱ A 2022 study by the American Council for an Energy Efficient Economy, using a somewhat different methodology, identified 21 HFAs that require or incentivize various levels of energy performance in the Housing Credit and/or a similar program.ⁱⁱⁱ The case study featuring the Georgia Department of Community Affairs describes an example of such efforts.

More broadly, 22 state HFAs administer a different or additional energy efficiency subsidy or financing program, serving either or both owner-occupied and rental properties in their states, according to NCSHA survey data.^{iv} The case study examples of the Alaska Housing Finance Corporation, North Carolina Housing Finance Agency, Minnesota Housing, New York State Homes and Community Renewal, and the Washington State Housing Finance Commission illustrate the breadth of approaches.

Across these approaches, HFAs — like the affordable housing industry overall — generally have been more focused on energy efficiency than renewable energy. The emphasis on renewables in the IRA may shift the balance somewhat, as discussed below.

Potential New HFA Energy Efforts in Response to Federal Legislation: Analysis

Since the enactment of the IIJA and IRA, the National Council of State Housing Agencies has provided extensive recommendations to policymakers in multiple federal agencies for optimizing the housing-related provisions of the two laws, reflecting the experience and priorities of state HFAs. While most of the foundational federal rules — general guidance, proposed and final regulations, notices of funding availability, and the like — have been issued for the key programs, more remains to come, and across the board, the implementation of policies and delivery of resources also awaits action at the state and local levels, by the agencies and organizations that will administer most of the money.

The Abt Associates researchers retained by NCSHA reviewed the federal rules as of mid-summer and spoke with HFA staff and partners to develop an assessment of how and where HFAs could, in their view, play roles in developing and administering these new programs, recognizing that most of them are still in formation. In summary, they suggest HFAs may be able to:

- Help identify eligible properties and support potential applicants for the new Green and Resilient Retrofit Program of the U.S. Department of Housing and Urban Development (HUD);
- Bring specific housing market knowledge and lending capabilities to inform design of state implementation plans for two new U.S. Department of Energy (DOE) home energy rebate programs;
- Administer or support their states’ WAP programs to expand upgrades of multifamily properties, as well as single-family homes; and
- Potentially deploy financing for housing projects using resources that will be made available via the U.S. Environmental Protection Agency’s (EPA) new Greenhouse Gas Reduction Fund.

HFAs have found Abt’s advice timely and compelling — indeed, a number were already acting along the lines the researchers suggested and more may be expected to do so. For example, seven HFAs are the applicants on behalf of their states for the \$7 billion available through the IRA-authorized Solar for All Program, administered by the EPA, and more are playing a supporting role in their states’ proposals.

FOREWARD: STATE HOUSING FINANCE AGENCY ROLES IN REDUCING HOUSEHOLD ENERGY COSTS

Among both the HFAs active on energy issues before the IIJA and IRA and those playing or planning to play a major role in new programs the laws authorized are agencies from all regions of the country and states of all sizes. A future report will provide an update on how state HFAs built on their established energy efforts to help ensure the IIJA and IRA housing funds were most beneficial to low- and moderate-income households across the country.

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ⁱ National Council of State Housing Agencies, *State HFA Factbook: 2022 NCSHA Annual Survey Results* (October 2023).

ⁱⁱ Blue Green Alliance Foundation, “Building a Better Affordable Housing Future” (2023).

ⁱⁱⁱ American Council for an Energy Efficient Economy, “2022 State Energy Efficiency Scorecard” (December 2022).

^{iv} National Council of State Housing Agencies, *State HFA Factbook: 2022 NCSHA Annual Survey Results* (October 2023).

1. Background and Methodology

On behalf of the National Council of State Housing Agencies (NCSHA), Abt Associates conducted a series of seven case studies intended to highlight successful and innovative efforts carried out by state HFAs to promote residential energy efficiency or use of renewable energy in low- and moderate-income homes and apartments.

The Abt team identified and purposively selected candidates for case studies in consultation with NCSHA staff to represent both geographic and programmatic diversity (see **Exhibit 1-1**). For each case study, the Abt team conducted background research and interviewed relevant agency staff and leadership. The Abt team used interview notes and background materials to generate a series of analytic memos that identified key program features and implementation lessons.

Some case studies focus exclusively on a single program or initiative. Others look more holistically at an HFA’s programming to understand how agencies have sought to promote residential energy efficiency or renewable energy production through multiple complementary programs. Each case study provides a brief summary of the focal program (or programs) and then identifies a set of key lessons highlighted by the case.

Exhibit 1-1. HFA Case Studies

Agency	Program(s)	Program Domain(s)
Alaska Housing Finance Corporation	<ul style="list-style-type: none"> Home Energy Rebate Program 	<ul style="list-style-type: none"> Performance-Based Rebate
Georgia Housing and Finance Authority	<ul style="list-style-type: none"> Qualified Allocation Plan (QAP) Building Sustainability Provisions 	<ul style="list-style-type: none"> QAP Threshold Requirements / Point Incentives for Nine Percent LIHTC
Minnesota Housing Finance Agency	<ul style="list-style-type: none"> Energy Fix Up Loan Program 	<ul style="list-style-type: none"> Consumer Lending to Finance Energy-Efficiency Improvements
New Mexico Mortgage Finance Authority	<ul style="list-style-type: none"> EnergySmart Weatherization Program 	<ul style="list-style-type: none"> Weatherization Assistance Program
New York Homes and Community Renewal	<ul style="list-style-type: none"> Clean Energy Initiative Climate Friendly Homes Fund 	<ul style="list-style-type: none"> Technical Assistance Program Energy-Focused Loan Fund
North Carolina Housing Finance Agency	<ul style="list-style-type: none"> SystemVision™ Energy Guarantee Program 	<ul style="list-style-type: none"> Construction Subsidies for Energy-Efficiency Improvements Heating / Cooling Bill Guarantees
Washington State Housing Finance Commission	<ul style="list-style-type: none"> Sustainable Energy Trust 	<ul style="list-style-type: none"> Energy-Focused Loan Fund

2. Alaska Housing Finance Corporation: Home Energy Rebate Program

2.1 Background: The Alaska Housing Finance Corporation

The [Alaska Housing Finance Corporation](#) (AHFC) established its Home Energy Rebate Program in 2008 and administered the program for 10 years. AHFC also administers Alaska's Weatherization Assistance Program. Previously, AHFC operated as Alaska's lead entity for the U.S. Department of Energy's State Energy Program. Today, the Alaska Energy Authority operates as the state energy office but continues to support AHFC programming.

2.2 The Case: AHFC's Home Energy Rebate Program

This case study focuses on the Home Energy Rebate Program that was administered by AHFC from 2008 to 2018. The Abt team selected this case study because AHFC's Home Energy Rebate Program was the largest state-funded and state agency-administered energy rebate program in the country.

The program was funded using oil revenue proceeds that accrued to the state of Alaska from its extensive oil field leases. Some policymakers proposed sending oil revenue checks to all Alaska residents at a time when the price of oil was very high in 2008. The Home Energy Rebate Program was a compromise solution for the use of these dollars that has had a lasting effect for Alaska residents by permanently reducing their home energy usage by a cumulative total of \$261 million over 10 years plus an estimated \$36 million in savings each subsequent year.

At the time the program was established, the energy usage for a single-family home in Alaska was approximately twice as high as for other cold-climate regions of the U.S. The authorizing legislation also provided supplemental dollars for the Weatherization Assistance Program (WAP) to assist low-income households, especially in areas of the state where the cost of doing energy improvements is well above the federal maximum limit. In 2019, the Cold Climate Housing Research Center published an [evaluation of the outcomes](#) achieved by the Home Energy Rebate Program.

2.3 Program Details

The Home Energy Rebate Program was designed to calculate the amount of the rebate based on actual measured improvement in energy usage performance of the property. Alaska has had a Home Energy Rating System (HERS) in place since the mid-1990s and developed an energy modeling software system, [AkWarm](#), to determine energy performance rating scores. The focus of the model was on reducing energy consumption via improvements to space heating and hot water energy consumption. The home energy rating system established a "star" rating system ranging from one to six stars with half-star increments. Rebate amounts were calculated based on the number of half-star levels of improvement in performance compared to the baseline assessment. The average improvement level across all participants was one and a half stars.

The rebate program was designed primarily for the owners of existing single-family homes, but there was also a rebate program for new single-family homes that achieved at least a five-star rating. Owners of existing homes would apply for the rebate program through AHFC. Following the application, the owner would contact a certified energy auditor to arrange for an "as-is" energy rating that assessed the energy efficiency of the home prior to the improvements. The auditor would use the AkWarm modeling software to assist the homeowner in determining which energy improvements would help them to achieve a higher rating level. Once the desired energy improvements were determined, the homeowner could use a qualified energy contractor to do the improvement work, or they could do the work themselves. Once the work was completed, the homeowner would arrange for the energy auditor to conduct a post-

improvement test. The amount of the rebate was then calculated based on the number of levels of performance improvement achieved, and the rebate was paid to the homeowner.

Over the 10-year period of the program, 26,587 homeowners received rebates, which was 63 percent of those who initially applied for the program. The average total retrofit cost was approximately \$12,000, with an average rebate amount of approximately \$7,000 and an average out-of-pocket cost for the homeowner of approximately \$5,000. The Cold Climate Research Center evaluation estimated that the typical payback period to the homeowner for the out-of-pocket amount was four years.

2.4 Key Takeaways

2.4.1 Developing a Large Cadre of Qualified Energy Auditors Is Essential

Because the calculated amount of the rebate was based on the performance of the property before and after the improvements, AHFC realized that it would need to develop an auditor training program to accommodate the demand for energy ratings. AHFC staff contracted with several experienced contractors and builders to develop an auditor certification program and provide training classes for auditors. Once the auditors had completed their certification, they could be listed on the AHFC website.

At the peak of the program, there were 150 certified auditors. AHFC has maintained the auditor training program even though the Home Energy Rebate Program is no longer operating. Homeowners still use the auditors to assist them in determining appropriate energy improvements using financing programs provided by AHFC or other sources. There are currently approximately 30 certified auditors listed on the AHFC website.

2.4.2 Having a Complementary Renovation Loan Program Is Helpful for Supporting a Rebate Program

AHFC also offers a [renovation loan program](#) which can be used to finance renovations to an existing home, including energy improvements. The program is administered by a small number of lenders throughout the state that originate and sell the loans to AHFC.

Having a renovation loan program in conjunction with an energy rebate program is helpful for two reasons. First, homeowners often find that there are non-energy-related home improvements that are necessary before energy improvements can be properly installed. A classic example of such an improvement is the replacement of a deteriorated roof with the installation of ventilation so that attic insulation can then be installed to improve energy efficiency. The cost of these ancillary improvements is not covered by the energy rebates. Second, the rebate program was intentionally designed in such a way that the rebates were not available to cover the entire cost of the energy improvements. Therefore, having an available loan program through AHFC to assist homeowners with their out-of-pocket costs was helpful.

2.4.3 Broad Eligibility Can Drive Greater Program Adoption

The program directors at AHFC felt strongly that the Home Energy Rebate Program gained strong support and high levels of adoption because the rebates were available to households at all income levels. The original authorizing legislation not only provided dollars for funding rebates but also provided funds to supplement WAP resources for lower income households. AHFC staff felt that there was a level of excitement and commitment to driving down energy usage and energy bills that provided strong momentum for the program. Also, since rebates did not cover the full cost of improvements, the program generated more than \$140 million in consumer investment in energy conservation

3. Georgia Housing and Finance Authority: Promoting Sustainability Through the Qualified Allocation Plan

3.1 Background: LIHTC Qualified Allocation Plans

This case study focuses on energy-efficiency requirements for Low-Income Housing Tax Credit (LIHTC) properties adopted by the Georgia Housing and Finance Authority (GHFA). The LIHTC program is administered by state and local HFAs based on allocations from the U.S. Treasury Department to provide resources for the production and preservation of affordable rental housing. HFAs allocate competitive nine percent credits to developers based on criteria specified in each state's Qualified Allocation Plan. The QAP details both threshold requirements that all candidate projects must meet as well as incentive provisions that award points to projects that meet certain conditions (thus increasing the likelihood of selection). As of 2020, at least 38 HFAs had incorporated requirements or incentives designed to promote residential energy efficiency or renewable energy production into their QAP.¹

3.2 The Case: GHFA's QAP Sustainability Provisions

In Georgia, LIHTC credits are allocated by GHFA, which is overseen by the [Georgia Department of Community Affairs](#) (DCA). This case study focuses on Section XVI of GHFA's QAP, which outlines a series of "Building Sustainability" threshold requirements with which all projects seeking competitive nine percent credits must comply. Since their introduction during the Obama administration, GHFA's sustainability provisions have evolved over time. The Abt team selected this case study in order to help identify the technical and policy considerations that have informed the development of QAP sustainability standards. In particular, the case focuses on the current threshold requirement that eligible projects obtain a sustainable building certification through a third-party green building standard, such as the U.S. Green Building Council's LEED certification program. Prior to 2019, third-party sustainable building certification was incentivized but not required by GHFA's QAP.

3.3 Program Details

Section XVI – "Building Sustainability" – of GHFA's QAP requires that all completed properties must comply with the Georgia State Minimum Standard Energy Code and meet certain standards regarding duct and building envelope leakage, bathroom fans, lighting, plumbing, low VOC finishes, water heaters, and Energy STAR appliances. Additionally, the sustainability threshold of the QAP requires that developers obtain a sustainable building certification from one of the following third-party organizations: EarthCraft, Enterprise Green Communities, U.S. Green Building Council, NGBS Green Certification, or Green Building Initiative Green Globes Certification.

3.4 Key Takeaways

3.4.1 Attainable Threshold Requirements Can Help Improve Compliance and Create a Level Playing Field

Prior to 2019, GHFA awarded points to LIHTC applicants for meeting third-party green building certification requirements. More rigorous levels of certification were awarded a greater number of points. DCA and GHFA staff felt that developers, recognizing the value of these certifications for LIHTC awards, sometimes pursued rigorous certification standards that they were ultimately unable to meet. Staff also felt that the use of an incentive system had created an equity issue, whereby only the largest and most sophisticated affordable housing developers had the resources and capacity to pursue the most rigorous certifications.

¹ Bartolomei, Dana, *Report Update: State Strategies to Increase Energy and Water Efficiency in Low Income Housing Tax Credit Properties*, The National Housing Trust (2021).

In 2019, GHFA made a minimum standard third-party green building certification a threshold requirement, while eliminating point incentives for more rigorous or ambitious certifications. Staff noted that they felt like this shift to a more attainable certification standard for all projects made it easier for developers to deliver on green building requirements (improving compliance) and made it possible for smaller developers to compete for nine percent credits (improving fairness).

3.4.2 Third-Party Green Building Standards Remain Valuable

DCA and GHFA staff noted in recent years there had been internal deliberation about whether to retain the third-party green building certification requirements currently included in GHFA's QAP. Staff noted many developers felt the existing third-party certification requirements were overly burdensome. Staff also noted within DCA there was some feeling these requirements had become at least partially redundant in light of updates to Georgia's state energy code that went into effect in 2020. Staff felt these updates had narrowed the gap between the standards imposed by state code and those required by third-party green building organizations.

Despite these concerns, staff made clear they felt the continued inclusion of third-party certification requirements in the QAP was valuable for at least three key reasons. First, staff noted reliance on third-party certification programs with their own inspection and quality assurance processes helped GHFA address application review and inspection capacity challenges, ensuring more manageable administrative and inspection workloads for DCA staff. Second, staff noted engagement with highly specialized third-party certification organizations helped DCA maintain confidence that sustainability standards remain up to date without having to undergo regular in-house reviews that may be both time intensive and technically complex: "Right now the state [energy] code is pretty good for new construction...but if we ditch the third-party standards, how do we know when we're out of date again? Third-party standards help us understand what best practices are." Third, staff noted third-party standards included important, non-energy related requirements – such as those relating to indoor air quality – that were outside the scope of the state's energy code.

3.4.3 Communicating Concrete Impacts for End Users

DCA and GHFA staff emphasized the importance of materials that communicated the direct impact of sustainability and energy-efficiency initiatives for end users. Staff felt having access to evidence about the extent to which such programs generated cost savings and quality-of-life improvements for tenants and developers was critical for building and sustaining support for these initiatives. Staff suggested such materials and evidence were especially important in political environments where not all stakeholders necessarily share an explicit commitment to advancing environmental objectives, such as carbon emissions reduction.

3.4.4 Public Input Essential for Identifying Implementation Challenges and Setting Realistic Goals

DCA and GHFA emphasized that setting attainable sustainable energy-efficiency standards required highly technical knowledge. Staff noted the value of a public input process that had taken place several years ago in which DCA staff organized a series of focus groups on residential energy efficiency that brought together key stakeholders from across the affordable housing and energy-efficiency ecosystems. Staff noted these sessions helped clarify implementation challenges that could make certain standards or improvements difficult or impossible to implement.

4. Minnesota Housing Finance Agency: Energy Fix Up Loan Program

4.1 Background: The Home Improvement Loan Program

This case study focuses on loans for energy improvements in single-family housing offered by the [Minnesota Housing Finance Agency](#) (Minnesota Housing) through its Fix Up Home Improvement Loan Program (aka the Fix Up Loan Program). Minnesota Housing established the Fix Up Loan Program in 1976 to provide long-term fixed-rate home improvement loans to income-qualified owners of existing homes. As it does with its home mortgage programs, Minnesota Housing administers the program through a network of lending institutions that originate the loans based on a uniform set of program requirements, and the loans are then sold to Minnesota Housing. Originally Minnesota Housing issued tax-exempt bonds to finance pools of Fix Up Loans, but as experience with the program grew, the agency made the decision to hold the loans as assets on its balance sheet. The program is currently offered to borrowers through 64 loan originators including banks, credit unions, community action agencies, and community development financial institutions.

4.2 The Case: Minnesota Housing's Energy Fix Up Loans

The Abt team selected this case because, in 2014, Minnesota Housing partnered with Minnesota's state energy office (the Energy Division of Minnesota's Department of Commerce) to provide Energy Fix Up Loans focused specifically on energy conservation improvements. Through the work of state energy office officials and their colleagues at the U.S. Department of Energy (DOE), the Minnesota Department of Commerce received approval to use \$1 million in American Recovery and Reinvestment Act (ARRA) resources to pledge a loan loss reserve that would support a \$10 million pool of Energy Fix Up Loans held by Minnesota Housing. A unique structure allowed the state energy office to advance the actual resources to Minnesota Housing only upon actual losses as a result of loan defaults.

Through this financial arrangement with the Minnesota Department of Commerce, Minnesota Housing began to offer these Energy Fix Up Loans for energy conservation improvements to all households without regard to income limits. Minnesota Housing makes marketing materials available for lenders to promote the program to consumers as part of an effort to promote its suite of home improvement loans to consumers and is looking at expanding that outreach with a focus on energy improvements.

4.3 Program Details

Minnesota Housing and the Department of Commerce have established [a list of eligible improvements](#) for which proceeds of the Energy Fix Up Loans may be used. In September 2022, Minnesota Housing amended the program to include solar panels as eligible improvements (for secured loans only) for the first time and to increase the maximum loan size. The program offers unsecured loans of up to \$30,000 and secured loans of up to \$60,000. Energy Fix Up Loans are fixed rate loans with terms of up to 20 years (10 years for unsecured loans) and the interest rate in June 2022 was 5.5 percent.

A single lender – the [Center for Energy and the Environment](#) (CEE) – currently originates 88 percent of the Energy Fix Up Loans. CEE also originates regular Fix Up Loans, which are subject to household income limits. Regular Fix Up Loans are provided on an unsecured basis for amounts up to \$25,000, or up to \$75,000 if the loan is secured by a mortgage on the property.

CEE offers loans throughout the state of Minnesota and also offers special energy loan products provided by specific communities. CEE also provides access to home energy audits and assists borrowers in determining what improvements might be most effective. CEE's energy advisors also answer project-related questions and connect homeowners to utility rebates and qualified contractors for home improvements. During calendar years 2021 and 2022, CEE closed 817 loans totaling \$21.9 million under

the Fix Up Loan Program. Of these loans, 181 loans totaling \$2.5 million were made under the Energy Fix Up Loan program. Of the Energy Fix Up Loans, 161 were unsecured, with an average loan size of \$12,384, and 20 loans were secured, with an average loan size of \$27,517. The most frequent items to be financed were solar installations, insulation, and heating and cooling systems.

4.4 Key Takeaways

4.4.1 Simplicity in Loan Transactions Is Important for Consumer Adoption

Minnesota Housing has more than 40 years of experience operating its Fix Up Loan programs. For most of that time, the agency has required loans be secured by a mortgage on the improved property. This requirement proved to be a substantial barrier for households that could have benefitted from using the program to finance needed improvements. Approximately 10 years ago, the agency introduced an unsecured loan option, which comes at a slightly higher interest rate and requires a higher credit score than a secured loan. The loan performance of the unsecured loans has been similar to or better than the performance of the secured loans. This program change reduced the time and the cost of loan transactions and increased the attractiveness of the program to consumers. Making this change also opened the door for the development of the Energy Fix Up Loan program in collaboration with the state energy office.

Additionally, in 2018 Minnesota Housing implemented an array of changes to the Fix Up Loan Program designed to increase the attractiveness and usability of these loans. Changes included simplifying the application process, reducing the amount of required documentation, expanding the list of eligible improvements, a new dynamic pricing model that offered lower interest rates for longer loan terms, and increasing income eligibility thresholds to 140 percent of area median income. These changes yielded dramatic increases in loan production.

4.4.2 Energy Expertise Is Critical for Achieving Consumer Confidence

CEE has more than 30 years of experience in energy efficiency, with strategies aligned behind technical research, program development and delivery, community engagement, policy advocacy, and project financing. Today, CEE provides loans to more than 200 households on an annual basis. Households, especially low-income households, making energy improvements look to the expertise of CEE staff to help them determine which energy improvements make the most positive impacts in their homes. CEE has been a trusted partner for Minnesota Housing in developing its Energy Fix Up Loan program. Based on their interactions with consumers, CEE and other lenders encouraged Minnesota Housing to increase the maximum loan size and to allow the financing of solar panels. These changes were made in September 2022. Since then (and through May 16, 2023), Minnesota Housing has funded 67 Energy Fix Up loans totaling \$2.8 million.

4.4.3 Partnership Between the Housing Finance Agency and the State Energy Office

Around 2014, the state energy office wanted to increase the availability of financing for more homeowners to make energy improvements to their homes. The Department of Commerce had financial resources through ARRA, the economic stimulus legislation passed following the Great Recession. In Minnesota, the state energy office administers the federal Weatherization Assistance Program primarily through a network of community action agencies. Many of these same local agencies also administer a program for Minnesota Housing that funds essential home repairs for very low-income homeowners. The state energy office knew Minnesota Housing had its Fix-up Loan program and began conversations to explore ways the agencies could collaborate to provide energy loans to more households.

5. New Mexico Mortgage Finance Authority: Energy\$mart Weatherization Program

5.1 Background: The Weatherization Assistance Program

This case study focuses on the [Energy\\$mart Weatherization Program](#) of the [New Mexico Mortgage Finance Authority](#) (MFA). The U.S. Department of Energy’s Weatherization Assistance Program supports whole-house improvements to residential energy efficiency, health, and safety for low-income and vulnerable populations. DOE WAP funding is allocated to all 50 states and U.S. territories through formula grants, which are administered by state agencies in partnership with local organizations that provide weatherization services. As of 2020, HFAs were responsible for administering WAP in 16 states.²

5.2 The Case: MFA’s Energy\$mart Weatherization Program

The Abt team selected MFA’s Energy\$mart program because, in recent years, MFA has made intentional and successful efforts to expand and improve weatherization capacity for eligible multifamily properties. The case summary below considers some of the critical elements that were involved in building a successful program, identifies ways in which HFAs are well-positioned to administer this work, and highlights work MFA has done to expand multifamily weatherization capacity.

5.3 Program Details

MFA’s Energy\$mart program provides single-family and multifamily weatherization services, in partnership with three WAP subrecipients. MFA relies on two regional subrecipients to provide single-family weatherization services – one to the northern part of New Mexico and the other to the southern part. MFA has partnered with [ICAST](#) – a national nonprofit organization – to provide multifamily weatherization services. In order to serve a greater number of households and expand the range of eligible improvements, MFA leverages DOE WAP funding using a variety of additional funding sources, including state appropriations, supplemental funding from the Low-Income Home Energy Assistance Program (LIHEAP), contributions from public utility companies (New Mexico law requires public utility companies to operate or support programs that enable households, and especially low-income households, to conserve energy and reduce residential energy bills), and competitive or philanthropic grant funding.³

5.4 Key Takeaways

5.4.1 Building and Maintaining Relationships with Funders

MFA undertakes significant work to build and maintain relationships with funding partners, including state legislators, staff at public utility companies, and officials in other state agencies such as the Human Services Department (HSD), which oversees New Mexico’s LIHEAP program. MFA staff emphasized that, “when new funding sources or new opportunities present themselves, we pursue those sources aggressively.”

MFA staff emphasized the importance of leveraging WAP funding not only to increase the total number of households served by the Energy\$mart program but also as a critical mechanism for giving the subrecipients providing weatherization services more flexibility and scope in providing comprehensive improvements. With multiple pools of funding available for a weatherization project, improvements that might be ineligible under one funding source can sometimes be supported via an alternative funding

² National Council of State Housing Agencies, *State HFA Factbook: 2020 NCSHA Annual Survey Results* (2020).

³ New Mexico law requires public utility companies to operate or support programs that enable households, and especially low-income households, to conserve energy and reduce residential energy bills. For more detail, see [17.7.2 NMAC](#).

source. MFA supports subrecipients and contractors in understanding what improvements are or are not eligible given the sources of funding available, often providing real-time, over-the-phone support to contractors and auditors out in the field (see *Supporting and Monitoring Subrecipients*, below).

MFA staff emphasized the importance of playing the role of hands-on educator in order to help funding partners understand the value of Energy\$mart's weatherization programming and feel a sense of connection to that work. For example, a key component of MFA's annual Weatherization Day promotion effort is giving legislators, members of the media, and other key partners the opportunity to see and engage with innovative diagnostic and weatherization technology. MFA staff affirmed repeated exposure to weatherization events and contact from MFA had helped get state and local leaders thinking proactively about how to strengthen and support the Energy\$mart program.

MFA staff noted staff turnover and programmatic changes in other state agencies or partner organizations could at times create challenges to maintaining strong relationships. MFA staff emphasized that, in such cases, having a deep and thoughtful understanding of the statutory or contractual requirements other funders are subject to was critical to convincing these funders that partnerships with MFA were feasible and mutually beneficial. MFA staff noted such funding partnerships often come with the requirement of additional monitoring. Rather than seeing external monitoring as a burden, MFA staff framed these requirements as educational opportunities for strengthening relationships and helping build their partners' understanding of how the Energy\$mart program operates.

5.4.2 Intentionally Expanding Capacity for Multifamily Weatherization

Prior to 2014, MFA's two single-family WAP subrecipients also provided multifamily weatherization services. In recognition of the distinct set of technical challenges involved in multifamily weatherization, MFA initiated a partnership with ICAST in 2014 to provide multifamily weatherization services.

Initially, ICAST provided multifamily weatherization services under the management of MFA's two pre-existing WAP subrecipients. MFA found that this structure created an additional layer of management and review and that subrecipients focused primarily on single-family weatherization work were not well-positioned to oversee multifamily weatherization efforts. In 2019, MFA made ICAST an independent subrecipient focused exclusively on multifamily weatherization. This change helped streamline the multifamily weatherization program.

In the early years of this partnership, MFA staff played a critical role helping ICAST build relationships with multifamily property owners and managers across New Mexico in order to build a pipeline of multifamily weatherization projects. Today, ICAST has established relationships across the state and manages the pipeline of multifamily projects more independently. ICAST has also helped MFA identify and pursue funding opportunities to support and expand multifamily weatherization efforts.

MFA staff noted they have taken advantage of newly granted flexibility regarding the need to income-qualify all residents in multifamily developments. Staff emphasized this flexibility has enabled MFA and ICAST to more efficiently move multifamily developments into the weatherization pipeline.⁴

5.4.3 Supporting WAP Subrecipients and Building Technical Capacity

MFA staff noted they were fortunate to have had longstanding relationships with their two single-family subrecipients. MFA staff noted working with such a small network of subrecipients made it easier to support and monitor subrecipient activities.

⁴ For more detail, see [Weatherization Program Notice 22-5](#) (effective December 8, 2021), which enables WAP providers to streamline the process for verifying income eligibility in multifamily properties that are operated by public housing agencies and in privately-owned multifamily properties that either receive project-based rental assistance or that house residents receiving tenant-based rental assistance.

NEW MEXICO MORTGAGE FINANCE AUTHORITY: ENERGY\$MART WEATHERIZATION PROGRAM

MFA staff noted the value of working with highly experienced subrecipients who possess deep familiarity with WAP. One of MFA's single-family subrecipients had been performing weatherization work since the early 1980s, but the other subrecipient had less experience with weatherization work. MFA staff noted that, because WAP is such a highly technical program, it was a slow and steady process for this subrecipient to get up to speed. MFA emphasized the importance of providing technical assistance to subrecipients and establishing open and regular lines of communication. MFA staff stressed the importance of returning phone calls and emails promptly, so contractors and auditors in the field could get the technical clarifications needed to proceed with work in a timely manner and learn on the job. MFA staff described their relationship with subrecipients positively as one of "constant dialogue and constant training."

MFA has also made tangible investments in building technical and staff capacity for weatherization programs. MFA used American Reinvestment and Recovery Act funding to support the establishment of the Energy\$mart Academy (ESA). Established in partnership with Santa Fe Community College, ESA develops weatherization technology specifically for New Mexico homes and trains energy technicians, increasing the supply of skilled contractors and inspectors and reducing potential labor force bottlenecks. MFA staff noted there were only a handful of I-REC accredited training programs nationwide and that ESA's presence in the state had helped to ensure an adequate supply of qualified contractors and technicians.

6. New York State Homes and Community Renewal: Clean Energy Initiative and Climate Friendly Homes Fund

6.1 *Background: The Climate Leadership and Community Protection Act*

New York State's Climate Leadership and Community Protection Act of 2019 (Climate Act) established an aggressive plan for reducing carbon emissions in New York State. The Climate Act created an inter-agency Climate Action Council to guide the implementation of the act. One of the initiatives coming from the Climate Act is a partnership between the [Department of Homes and Community Renewal](#) (HCR) which serves as the state's housing finance agency and the [New York State Energy Research and Development Authority](#) (NYSERDA), the state energy office. This initiative is designed to improve building efficiency by developing a model to streamline access to financial and technical assistance resources for owners of multifamily properties.

6.2 *The Cases: HCR's Clean Energy Initiative and Climate Friendly Homes Fund*

HCR has developed two complementary programs to support improvements to residential energy efficiency: the Clean Energy Initiative and the Climate-Friendly Homes Fund.

The [Clean Energy Initiative](#) (CEI) serves owners of multifamily properties applying to HCR for a variety of affordable housing resources, including allocations of private activity bonds and four percent and nine percent tax credits. These projects can include new construction, adaptive reuse, and renovation projects. CEI provides resources for technical assistance to help property owners determine the most appropriate set of energy improvements to include in their projects as well as an additional source of funding to pay for the incremental costs of those improvements. CEI is funded through NYSERDA using resources generated by utility companies through a ratepayer-based requirement to invest in energy conservation and state-appropriated bond proceeds.

The [Climate Friendly Homes Fund](#) (CFHF) serves owners of smaller existing multifamily properties (5- to 50-unit properties) to help finance the electrification of heating systems and upgrades to building envelopes and ventilation systems. Through a competitive procurement process, HCR selected Community Preservation Corporation (CPC), an experienced community development financial institution (CDFI), to administer this program. The program is available to owners of regulated affordable housing as well as non-regulated properties located in low- and moderate-income communities. CFHF is funded by New York State bonded capital and appropriated through the 2022 state budget.

6.3 *Program Details*

Project sponsors applying to HCR for allocations through the nine percent tax credits or private activity bonds with four percent tax credits are eligible to simultaneously apply for the \$100 million CEI program. If a project is selected, a technical assistance provider is assigned to the project at no additional cost to the project to assist the project sponsor's development team and energy-efficiency consultant with the enhanced energy design aspects of the project.

- **Redevelopment of Existing Properties** – These projects are eligible to receive CEI funding in amounts up to \$25,000 per unit, up to a maximum of \$5.625 million per project.
- **Adaptive Reuse Properties** – These projects are eligible to receive CEI funding in amounts up to \$12,500 per unit, up to a maximum of \$2.5 million per project.
- **New Construction Properties** – These projects are eligible to receive CEI funding in amounts up to \$7,500 per unit, up to a maximum of \$1.375 million per project.

NEW YORK STATE HOMES AND COMMUNITY RENEWAL: CLEAN ENERGY INITIATIVE AND CLIMATE FRIENDLY HOMES FUND

CFHF is administered through CPC, and applications can be submitted through the CPC website.⁵ This \$250 million fund provides financing for buildings with 5 to 50 units with a focus on replacing older and less energy-efficient systems with all-electric, high-performance heating, cooling, and domestic hot water systems. The goal of the program is to provide funding for 10,000 of these properties. CPC is working with several community-based organizations that can assist owners with the application and lending process.

To be eligible for the CFHF program, a property must either: be subject to a regulatory agreement with a public entity that restricts the rent levels for the property or be located in a low- and moderate-income qualified census tract or in a disadvantaged community as defined in the Climate Act.

Property owners are eligible to receive up to \$24,200 per unit to pay for eligible energy improvement costs and eligible soft costs. The financing is provided in the form of a forgivable loan and is subject to a lien on the property with restrictive covenants relating to maintenance, benchmark reporting, and sale/refinance provisions.

- Projects with 15+ units or loan amounts greater than \$375,000 are subject to a 10-year covenant.
- Projects with fewer than 15 units or loan amounts less than \$375,000 are subject to a 5-year covenant.

Projects applying for CFHF funding go through an initial screening process to determine eligibility. Once notified of eligibility, the property owner must arrange for an energy audit and a property condition assessment. The project improvement scope must include the replacement of heating and cooling systems and domestic hot water heating systems and can also include energy conservation improvements such as air sealing and ventilation.

6.4 Key Takeaways

6.4.1 Designing Energy-Related Housing Programs Requires Energy Expertise

The HCR team discussed the importance of having identified and hired a person at HCR who has specific expertise in buildings-related energy issues. High-efficiency heating, cooling, and hot water systems, as well as high-efficiency building envelope design systems are technically complicated. Understanding these systems often requires expertise and technical vocabulary that might not be familiar to housing finance experts. The potential energy savings and cost/benefit calculus of energy retrofits of existing buildings can be especially challenging to assess and must take into account existing fuel types, current building design and operations, and maintenance protocols and costs. Hiring an energy expert can help HFAs design programs that reflect both the needs of property owners and the need to incorporate energy assessment protocols into the process to determine efficient and cost-effective improvements for a wide variety of residential properties.

6.4.2 Programs Focused on Energy Retrofits of Smaller Existing Buildings Require Community-Based Delivery

The CFHF program was established after five years of intense discussions among energy advocates and owners of affordable rental housing, including owners of both regulated properties and unregulated properties in low-income communities. Ultimately, these groups advocated with the state legislature for the creation of the CFHF program and the appropriation of \$250 million in state bond proceed funding. The success of this program in reaching 10,000 smaller properties will be highly dependent on getting information about the program out to property owners in communities across the state. Qualifying these owners and properties and connecting them with the technical assistance resources they need will require a delivery system with a significant amount of local presence. HCR conducted a request for proposals

⁵ [Climate Friendly Homes Fund – Applications Live - Community Preservation Corporation](#)

process and ultimately selected a proposal from CPC that includes a network of local CDFIs and community development organizations including LISC and Enterprise, who will help with this outreach.

6.4.3 Providing Technical Assistance Resources to Property Owners Is an Essential Program Element

Working with NYSERDA, HCR has built a significant amount of technical assistance into the CEI and CFHF programs. As the state pushes for higher efficiency standards for both equipment and building envelope design, the engineering complexity of the scopes of work increases. Even sophisticated developers using energy-efficiency consultants to meet existing energy standards may be challenged to incorporate the higher standards in their designs without additional technical assistance.

6.4.4 Pairing Energy Resources with Existing Application/Selection Processes Simplifies the Program

While NYSERDA has provided funding for energy improvements to multifamily properties in the past, property owners have been required to apply separately to NYSERDA to receive this funding. CEI enables property owners to access funding and technical assistance through a single, integrated application process. Providing additional financial resources and technical assistance for affordable housing projects when they are being initially financed or refinanced allows property owners to include higher-efficiency energy items in their scopes of work that might otherwise not be financially feasible.

7. North Carolina Housing Finance Agency: SystemVision™ Energy Guarantee Program

7.1 The Case: NCHFA's SystemVision Energy Guarantee Program

This case study focuses on North Carolina's [SystemVision™ Energy Guarantee](#) program, operated in partnership by the [North Carolina Housing Finance Agency](#) (NCHFA) and [Advanced Energy](#), a North Carolina-based, nonprofit energy consulting firm. The SystemVision™ program provides construction and retrofit subsidies for eligible projects that meet SystemVision™ standards. The Abt team selected this case because the SystemVision™ program has a two-decade track record of delivering energy improvements built on effective collaboration between NCHFA and external partners. Since its inception in 2001, the SystemVision™ program has helped build and certify more than 6,200 homes. Today, the program serves approximately 200 homes per year.

7.2 Program Details

The SystemVision™ program relies on residential energy, health, and safety standards established and maintained by Advanced Energy. Eligible nonprofit affordable housing developers can request to reserve SystemVision™ funds to help offset costs associated with building or retrofitting high-performance, energy-efficient homes that meet these standards. Developers and builders must submit plans to Advanced Energy for review and relevant staff from a project's developer, builder, and contractor teams are required to attend a training session organized by Advanced Energy. During the building process, a series of site inspections help ensure construction is proceeding in a manner consistent with project plans and SystemVision™ standards.

Once a home passes its final inspection, NCHFA releases subsidy funds to the developer. Currently, new construction projects are eligible for subsidies of up to \$5,000 and retrofit projects are eligible for subsidies of up to \$6,000. Homes that pass their final inspections are covered by SystemVision's "Energy Usage and Comfort Guarantee" for a period of two years. The guarantee ensures that, conditional on appropriate system usage, room comfort will not differ more than three degrees from the thermostat setting and that heating and cooling costs will not exceed a pre-specified amount. In cases where costs exceed the guarantee amount, Advanced Energy works with homeowners to find and address the underlying cause and reimburses the homeowner for utility costs incurred in excess of the guarantee.

7.3 Key Takeaways

7.3.1 The Value of Strong, Long-Term Partnerships

Both NCHFA and Advanced Energy staff emphasized the importance of their established, long-term partnership as the cornerstone of the SystemVision™ program's success. Staff from both organizations noted that each partner brought essential ingredients to the program from its inception. NCHFA provided critical financial incentives that enabled developer participation and access to an extensive network of nonprofit and private partners. Advanced Energy's technical expertise made it possible to develop program standards; train developers, builders, and partners; and support and monitor compliance across projects. Advanced Energy staff noted the opportunity to partner with NCHFA helped make it possible for Advanced Energy to help bring high energy performance standards developed for market-rate construction into the market for affordably priced homes.

In addition, Advanced Energy cited NCHFA's long-term commitment to funding the SystemVision™ Energy Guarantee program as crucial to the success of the program. Twenty years of consistent funding has allowed the program's network of community partners to grow and has made it possible to build local infrastructure for supporting energy-efficiency construction, retrofits, and inspections.

Source: Advanced Energy

7.3.2 The Importance of Building Statewide Capacity

Advanced Energy staff noted that, in the early years of the program, the lack of trained inspection staff could sometimes pose a logistical challenge for moving projects through the SystemVision™ lifecycle. Over the years, Advanced Energy has provided training and technical assistance to nonprofit developers and local businesses, expanding the supply of certified inspectors and trained contractors. Wherever possible, Advanced Energy has worked to build relationships between developers and local partners capable of carrying out inspections and ensuring that projects are developed in a manner consistent with SystemVision standards.

7.3.3 Education as a Platform for Engagement and Innovation

NCHFA and Advanced Energy staff noted the program's commitment to educating developers, builders, and contractors has paid dividends over the years. NCHFA and Advanced Energy staff noted that, for some long-term development partners, building to SystemVision™ standards had become so comfortable that they were beginning to identify their own innovative ways to go over and above these standards by incorporating renewable energy production (such as solar) or other green building techniques into their development plans.

At the other end of the spectrum, Advanced Energy staff indicated education and communication were essential for effectively engaging contractors new to the SystemVision™ program. Advanced Energy noted that, for contractors and builders new to the program, there could be confusion and frustration about why established building approaches that might pass code for standard residential developments might not necessarily meet SystemVision™ standards. Program staff felt that, in general, ongoing education of new partners and builders had generated significant buy-in from the development community.

8. Washington State Housing Finance Commission: Sustainable Energy Trust

8.1 Background: The Washington State Housing Finance Commission

The [Washington State Housing Finance Commission](#) (WSHFC) established its Sustainable Energy Trust program in 2009. The program provides loans of up to \$1 million at favorable interest rates for a wide range of projects to improve residential energy efficiency and renewable energy production. WSHFC operates as an independent, self-funded agency and works closely with the state's [Housing Trust Fund](#) and the state energy office, which both operate under the Washington Department of Commerce. The Housing Trust Fund administers numerous federal- and state-funded housing programs that often provide funds to projects with tax credits and financing provided through WSHFC. The state energy office operates the federal Weatherization Assistance Program (WAP) and several state-funded programs that can provide resources for housing.

8.2 The Case: WSHFC's Sustainable Energy Trust

This case study focuses on the Sustainable Energy Trust program administered by WSHFC. The Abt team selected the Sustainable Energy Trust because it has a long track record, operating since 2009, and has provided long-term financing to developers and owners of affordable housing for a wide variety of energy-related projects. It has elements that support both single-family new construction and multifamily energy retrofits as well as clean energy production installations for multifamily properties.

8.3 Program Details

WSHFC administers the Sustainable Energy Trust programs directly. The initial capital for the program was raised through the issuance of Qualified Energy Conservation Bonds after WSHFC received legislative authorization for the program in 2009. The Sustainable Energy Trust functions as a revolving loan fund and has been subsequently funded directly with WSHFC resources.

The program provides loans of up to \$1 million with terms of up to 10 years at favorable fixed interest rates (generally in the range of two to five percent) and has three components:

- **High-Efficiency New Construction of Single-Family Homes:** This component provides construction loans for developers of single-family homes that exceed the Washington State Energy Code by at least 15 percent.
- **Energy Retrofit Projects for Multifamily Housing and Nonprofit Facilities:** This component provides loans directly to owners of existing properties to finance energy and water efficiency upgrades that reduce utility consumption by at least 10 percent. Where available through utility companies, these loans are often repaid through utility billing arrangements, which allows the cost to be treated as an operating expense.
- **Clean Energy Production for Multifamily and Nonprofit Facilities:** This component provides loans directly to owners of existing properties to finance the installation of solar (including community solar models), wind, biodigesters, biomass, and combined heat and power projects.

The program has financed more than 35 projects with a total of more than \$33 million since its inception. It currently has approximately \$6 million in outstanding loans and \$1.3 million of applications in the pipeline.

8.4 Key Takeaways

8.4.1 Payback Calculations for Energy Projects Vary Widely Based on Energy Generation Source

Energy generation in the State of Washington comes from a wide variety of sources. Some of the largest population centers are served by power generated by hydroelectric dams, which produce energy at very low cost to the consumer. These variations in the cost of energy have a major impact on the willingness of property owners to undertake energy improvements.

8.4.2 Strict Energy Codes and Incentives Drive a High Level of Energy Investment in Larger Projects

Washington has adopted strict energy codes for multifamily housing, including affordable housing. The Evergreen Sustainable Development Standard applies to all projects applying the state Housing Trust Fund for resources.⁶ In addition, WSHFC has included substantial scoring incentives for multifamily development projects that meet higher energy standards. In 2021, WSHFC commissioned a study to look at a cost-benefit analysis of development projects that included these higher standards.⁷

With these codes and scoring standards in place, WSHFC has been able to provide financing for larger projects and new construction projects through its other financing programs so that the Sustainable Energy Trust can be reserved for existing properties.

8.4.3 New Regulatory Requirements Will Have a Major Impact on Multifamily Properties

In 2019, the State of Washington adopted the Clean Buildings Act and in 2022 expanded the act to apply to all commercial buildings on greater than 20,000 square feet, including multifamily buildings. Under the Clean Buildings Performance Standard, property owners will need to start reporting on energy benchmarking and operations and management costs starting in 2027. Rules for the program are being developed in 2023. The state is providing financial incentives for properties that are early adopters of the new standards. These new standards will likely contribute to a reassessment of the programs available to assist owners of affordable rental housing comply with the new standards.

WSHFC has begun conversations with the Washington State Department of Commerce, including the state Housing Trust Fund and the state energy office to determine how the agencies can work together to support energy conservation and clean energy production for affordable multifamily housing.

⁶ More information about Washington State's Evergreen Sustainable Development Standard (EDSC) is provided on the Washington State Department of Commerce's website: [Evergreen Sustainable Development - Washington State Department of Commerce](#)

⁷ [WSHFC: Benefit-Cost Analysis of the Commission's Energy Efficiency and Renewable Energy Incentives](#)