



CHACE

Campaign for Housing and
Civic Engagement

ISSUE BRIEF

**ENERGY EFFICIENCY AND
HOUSING AFFORDABILITY**

Saving Energy Helps Make Housing More Affordable

The monthly utility bill is a significant part of the average family's housing cost. For lower income households, the cost of keeping warm in the winter or cool in the summer can quickly turn housing from affordable to unaffordable. The periods of extreme heat in Virginia this summer offer a clear example. Many lower income households will need to make the choice between staying cool or paying their rent. For seniors especially, it can become a serious health and safety issue when the temperature soars.

The good news is that we know how to make housing more energy efficient, and Virginia has an experienced industry capable of taking on that task – but we need to increase the number of homes that are weatherized each year.

What We Know

- While Virginia has lower electricity “rates” than many states, **the total utility bill paid by consumers is the 10th highest in the nation** due to a wide range of surcharges that get added to the bill. This finding was contained in a 2017 report issued by the Virginia Poverty Law Center that makes the point that utility costs in the state are a significant burden for lower income households.¹
- **Housing age and condition are major contributors to energy use.** Newer homes are significantly more energy efficient than older structures. Lower income Virginians typically reside in housing that is older and in poorer condition than higher income households. These households experience higher than average utility bills.
- **Multifamily housing represents the best opportunity to effectively deliver energy efficiency improvements.** When improving multifamily housing, the provider can achieve high efficiencies due to the proximity of the units and the similarity of design and equipment. Multifamily housing is disproportionately occupied by lower income households. These savings mean more for a family on a limited budget. A recent study indicated that Virginia could achieve savings of 28% in the affordable multifamily sector by 2035 and realize \$2 in economic benefit for every \$1 invested.²
- Manufactured housing is a common housing type for lower income families – especially in rural Virginia. **Manufactured homes built before 1976 are some of the worst housing in the state** and some of the highest energy consumers due to little insulation, air leakage and high cost strip electric heating.

What's Being Done Now and by Whom?

Energy efficiency improvements in Virginia's residential stock are currently funded through two major efforts:

- **The Federal Weatherization Program** through the Department of Energy existed since the 1970s. Administered by DHCD, this program is delivered by local housing agencies across Virginia using state of the art “whole building” analysis and techniques. About 2,000 single family homes are weatherized each year.
- **Dominion Energy** is operating two residential energy efficiency programs. One is a “light touch” program that focuses on lighting and water consumption but is scheduled to sunset next year. The other is a demonstration effort that incorporates a greater range of activities **but will sunset in 2019**. Both of these have included a significant number of apartments.

Why Does Energy Efficiency Make Sense?

- A recent study by Housing Virginia and Virginia Tech demonstrated the value of energy efficient design in affordable rental housing in the state.³ **Residents of housing with these features saved an average of \$650 per year.** That makes a difference in the family budget of a lower income household, comprising up to 10% of that family's total housing cost.
- **Energy efficiency improvements offer a long-term fix to the problem.** Rather than subsidize the fuel bills of low-income households on a permanent basis as some state and federal programs do, weatherizing the home provides savings year after year to the current occupants as well as future owners or renters – reducing the need for ongoing fuel assistance.
- **Energy efficiency reduces the demand for electricity,** lessening the need for building costly new power plants.

What the General Assembly Can Do

- **Increase funding for the Virginia Housing Trust Fund** that is in its 6th year and funded at \$5.5 million per year. The HTF could be a source for new energy efficiency programs that improve the affordability of housing.
- **Provide clearer guidance to the State Corporation Commission regarding its methodology for evaluating utility energy efficiency programs.** Current standards used by the SCC create a high barrier to utility programs.
- **Encourage Dominion Energy and other utilities to develop substantial energy efficiency programs** – especially targeting lower income customers. This could be done by legislation that makes efficiency investments profitable for utilities and moves away from the current approach where a utility's profits are based on the volume of energy it sells
- **Consider enabling legislation for a residential PACE program in Virginia.** The state currently allows property assessed clean energy (PACE) for commercial customers but not for homeowners. PACE allows for energy efficiency improvements to be financed through a tax assessment and with payments then collected through the tax bill on the property. This facilitates low cost financing and spreads the repayment over all of the beneficiaries of the improvements, current and future.

1 Virginia Poverty Law Center. (May 2017). *The Myth of Virginia's Rate Utopia*.

2 Optimal Energy. (May 2015). *Potential for Energy Savings in Affordable Multifamily Housing*.

3 Housing Virginia. (February 2017). *The Impact of Energy Efficient Design and Construction on LIHTC Housing in Virginia*.

•••• *Stable homes build strong communities.* ••••