



TESTIMONY SUBMITTED FOR THE RECORD
BY THE
NATIONAL MULTI HOUSING COUNCIL
AND THE
NATIONAL APARTMENT ASSOCIATION
TO THE
ENERGY AND NATURAL RESOURCES COMMITTEE
ON LEGISLATIVE PROPOSALS
DESIGNED TO CREATE JOBS RELATED TO ENERGY EFFICIENCY

The National Multi Housing Council (NMHC) and National Apartment Association (NAA) are committed to providing safe, affordable and sustainable apartment homes for 16.7 million American households. NMHC and NAA represent the nation's leading firms participating in the multifamily rental housing industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. We commend ongoing congressional efforts to bolster the economy and create jobs while improving the energy performance of the nation's built environment. We support legislation to expand incentives for improving energy efficiency in homes and commercial buildings and encourage Congress to implement programs such as the Home STAR and Building STAR programs. NMHC/NAA welcome the opportunity to provide our views on S. 3079, the Building STAR Energy Efficiency Rebate Act of 2010.

The apartment industry is committed to improving the energy efficiency of our buildings. The current extremely challenging economic environment combined with long standing financial barriers, like high upfront, capital costs, prolonged payback periods and split incentive problems, pose a significant obstacle to the speedy adoption of more energy efficient building systems and products. Currently available incentives, including the Energy Efficient Commercial Buildings Deduction, Energy Efficient Home Credit and Energy Investment Credits provide a good framework to overcome these hurdles however, they have not proved to be sufficiently accessible for many property owners in part due to the relatively short time frames for which these credits have been authorized as well as the relatively high levels of energy efficiency that are required to be achieved.

Overlaid on this is that property owners are experiencing decreased revenues associated with declining occupancy rates and increased financial pressures associated with the refinancing of properties. The continued financial downturn has put increased pressure on the operating expenses of multifamily properties. Property owners and managers have to do more with less; vacancy rates in many areas of the country have increased as local economies constrict and shed jobs. Building STAR has the capacity to jump start the much-needed flow of capital towards energy efficiency upgrades in building systems and components, while playing a significant role in creating jobs for the workers involved in the manufacture, retail and installation of energy-conserving products.

Importantly, Building STAR is designed to promote good stewardship of federal funds by leveraging public funding to improve the operating efficiency of the existing building stock. The Rebuilding America Coalition has estimated that for every federal dollar expended under the Building STAR program, it will be matched by 2 to 3 dollars of private sector funds. By way of example, one of our members has indicated that to complete an upgrade of a boiler and water heating system in a 26-year old apartment property using the appliances specified in the Building STAR legislation would cost approximately \$280,000 in addition to the \$37,000 appliance rebate for a total project cost of \$317,000. In this case the federal investment attracts over a seven-fold investment of capital by the property owner.

In addition to strengthening the economy by facilitating rehabilitation projects on older buildings and creating jobs, an investment under the Building STAR program will reduce the energy cost burden of apartment residents. This will have an immediate impact for the roughly 70% of residents of multifamily properties who pay all or part of the cost of their utilities in addition to their cost of rent.

The Building STAR program is designed for a quick start. We believe that the rebate system will facilitate the use of this program. The fact that many of the current-law incentives for owner investments in qualifying energy projects have been enacted in the form of tax credits has worked against the utilization of these incentives by commercial real estate that is owned by real estate investment trusts. The direct rebate system found in the Building STAR approach will enable commercial real estate which includes apartment buildings with 5 or more units to participate in the energy efficiency upgrades and job creation inherent in the program.

Moreover, the direct rebate structure of the proposed program is advantageous in light of recent findings concerning the Weatherization Assistance Program (WAP). Industry experience in utilizing the WAP for eligible properties that provide homes for low income residents has been mixed. Despite the significant influx of funding to this program through the American Recovery and Reinvestment Act, the funds have been slow to move out to qualified properties to finance energy improvements. The state weatherization offices responsible for administering the funds have pointed to a variety of administrative reasons for the delays.

The opportunities for low income residents to save money on their utility bills and the opportunities for job creation among the decimated construction trades that provide weatherization services have been limited by the slow to roll out of funds through the WAP. We would therefore urge that Congress give careful consideration to the process for providing the rebate and financing mechanisms under the Building STAR program. It is essential to the success of the program that these funds be deployed quickly in order to create jobs. We believe that the Department of Treasury is well positioned to approve qualifying projects and thus maximize the opportunity to jump start the economy. As one multifamily property owner stated, "Building STAR's greatest benefit is that the owners can go straight to the Department of Treasury on-line, they can execute the work themselves and they get the funds in cash within 30 days... Finally, somebody is listening! It is all about HOW you get the work done."

While we share concerns about increased deficit spending we believe that the funds deployed in service of increasing energy efficiency and creating jobs will build greater national security. Thank you for your consideration and we look forward to working with you in your efforts to improve energy efficiency and conservation in multifamily housing.