

**SUSTAINABLE HOUSING AND COMMUNITIES
SUSTAINABLE HOUSING AND COMMUNITIES INITIATIVES
2013 Summary Statement and Initiatives
(Dollars in Thousands)**

SUSTAINABLE HOUSING AND COMMUNITIES INITIATIVES	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2011 Appropriation	[\$100,000]	[\$148,434]	[-\$200]	[\$248,234]	[\$147,830]	... ^a
2012 Appropriation/Request .....	...	[99,406]	... ^b	[99,406]	[100,156]	... ^a
2013 Request	<u>[100,000]</u>	...	...	<u>[100,000]</u>	<u>[100,000]</u>	... ^a
Program Improvements/Offsets	+100,000	-99,406	...	+594	-156	...

a/ This request is included as part of the Community Development Fund.

b/ The Department received \$750 thousand in expenditure transfers from the Department of Transportation (DOT) and the Environmental Protection Agency (EPA). DOT transferred \$100 thousand to HUD for Research and Evaluation and EPA transferred \$650 thousand to HUD for Capacity Support Grants through Interagency Agreements.

1. What is this request?

The proposed fiscal year 2013 Budget for the Office of Sustainable Housing and Communities has three program components:

- \$46 million for Regional Integrated Planning Grants;
- \$46 million for Community Challenge Planning Grants;
- \$8 million to continue Sustainable Communities and Housing Research and Evaluation

The Sustainable Housing and Communities Initiatives at HUD have been instrumental in accelerating local and regional efforts to adopt smart strategies to rebuild our economy, grow jobs, reduce household energy and transportation costs and set the framework for effective private sector investments. HUD's request for fiscal year 2013 builds on lessons learned over the past 3 years and is aimed at ensuring that communities of all types – urban, suburban and rural – can effectively participate in economic growth in the 21st century.

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The fiscal year 2013 request for the Office of Sustainable Housing and Communities is \$100 million, restoring funding to the level appropriated in fiscal year 2011 to continue HUD's Sustainable Communities Initiative (SCI) as well as the Sustainable Housing Initiative (SHI), which supports HUD's goal to lower federal outlays for utility costs in HUD-assisted properties. The fiscal year 2013 Budget Request is composed of grant programs to meet continued and evolving demand to further sustainable community practices, clearinghouse and other tool to support existing grantees, and funding directed to expand research and evaluation necessary to providing empirical, field tested information to inform Federal policy and support local initiatives related to energy efficient housing standards and integrated community planning practices.

A) \$92 million for Sustainable Communities Initiative Grant Programs

There is requested \$92 million for this component, compared to no amount in fiscal year 2012 and \$100 million in fiscal year 2011.

- 1) \$46 million for Regional Integrated Planning and Implementation Grants** to support work in up to 25 additional regions to develop multi-jurisdictional, locally created plans that better align public and private investments in housing, transportation and infrastructure to leverage public and private resources and support regional economies. This \$46 million investment helps communities to use existing financial resources more strategically to address regionally defined needs. Providing incentives for regions to develop strategic, performance-based planning allows those regions to use a single planning investment to address multiple problems, including improved mobility, expanded regional housing choices, a coordinated economic development strategy, watershed planning or other environmental and infrastructure needs.

In fiscal year 2013, the first round of fiscal year 2010 HUD Sustainable Communities Regional Grantees will have successfully completed their integrated regional plans. Of the 45 grants awarded, 28 were for "Category I" planning grants - meaning that these regions were undertaking their first comprehensive regional planning effort. With the adoption and completion of their plans, some of these regions may be eligible for "Category II" implementation grants which will allow them to invest in more localized planning efforts and catalytic projects.

- 2) \$46 million for Community Challenge Planning Grants** to provide a local complement to the regional planning initiative. This is a slight increase from previous funding levels, and is proposed in response to the continued high demand for these funds from communities of all sizes and geographic regions. The prior two rounds of funding awards have leveraged significant non-federal resources. The \$30 million provided in fiscal year 2011 leveraged \$54 million in state, local and private sector resources. In contrast to the regional planning grants described above, this locally driven grant program will enable grantees to update policies, codes, tools and critical capital investments that better integrate transportation,

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housing and economic development to support local real estate markets and support private investment. Community Challenge grants provide incentives to address local barriers to market demand for expanded housing choices near jobs, retail, and transportation options.

B) Research and Evaluation- \$8 million

HUD requests \$8 million for contracts to support the following activities, compared to no amount in fiscal years 2012 and 2011.

- 1) \$5 million to continue Sustainable Communities Research and Evaluation, with a particular emphasis on coordinating best practices and tools among HUD, EPA and DOT to assess the outcomes of the Sustainable Communities Initiative.** This request will continue to support efforts begun with a \$10 million appropriation in fiscal year 2010, particularly to maintain the Sustainable Communities Clearinghouse, and to develop additional modeling tools and data sets to inform public and private sector decision makers regarding the impacts of different types of housing, infrastructure, and development decisions. In fiscal year 2013, this will include a focus on access and dissemination of best practices by grantees and other communities. The Clearinghouse provides cross-agency information on integrating housing, transportation and infrastructure investments to leverage private resources and address environmental, social and economic needs. Continued funding will allow communities to more easily access critical information on existing Federal funding programs and model tools, policies and data sets to support implementation efforts beyond those communities that receive Federal sustainability funds. Access to this type of information is necessary to building the planning capacity of local governments to develop more integrated approaches to growth and redevelopment.

This funding will also allow for evaluation of the fiscal year 2013 grantees, continuing the focus on measuring the performance of OSHC's grantees. Funding was provided in fiscal year 2010 to establish an evaluation program for fiscal years 2010 and 2011 grantees. OSHC established a rigorous evaluation program of its Sustainable Communities Initiative in close coordination with DOT, EPA and PD&R. Both grant programs include a strong emphasis on performance metrics and outcomes to evaluate impact across Federal grants and create better transparency at the local and regional levels. The completion of the fiscal year 2010 grants in fiscal year 2013 provides an important opportunity to evaluate the overall effectiveness of the Sustainable Communities Initiative, including the performance of grantees and also the effectiveness of the Federal Partnership for Sustainable Communities.

- 2) \$3 million for Sustainable Housing Research to support energy efficiency and green building initiatives,** including a Residential Energy Modeling System (REMS) originally proposed in fiscal year 2012 and a Common Energy Standards (CES) initiative. With approximately \$6 billion being spent each year by HUD on energy and utility costs, this investment can yield tax payer cost savings resulting from lower energy consumption. Through improved data management

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and scenario planning, REMS will assist HUD in meeting the energy efficiency and green building performance measures established under HUD's Annual Performance Goal #13 and in HUD's fiscal year 2010-2015 Strategic Plan. In addition, there are disparate program requirements for energy efficiency, for both construction of new housing, as well for rehabilitation of existing stock. The fiscal year 2013 Budget Request will improve the ability of HUD's partners and grantees, including multifamily property owners, public housing authorities, and state and local recipients of formula and competitive grants, to encourage lower energy consumption and incorporate green building practices in HUD-supported housing, as well as to better leverage utility and other private sector investments that may be available for this purpose.

2. What is this program?

The mission of the Office of Sustainable Housing and Communities is to create economically strong, environmentally sustainable and inclusive communities by connecting housing to jobs, fostering local innovation, and supporting energy efficient and healthy affordable housing through HUD's programs. The Office was created in 2010 to manage the sustainable communities planning grant programs, and to coordinate across HUD program and field offices to infuse sustainability into HUD policies and programs and reduce Federal barriers to local and regional strategies that align with the 6 livability principles jointly adopted by HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) in 2009 through the Partnership for Sustainable Communities (the Partnership).

The objective of the Sustainable Communities and Housing Initiatives is to create incentives for communities to develop comprehensive housing and transportation plans that result in jobs, economic growth, easier commutes and a greater range of housing choices. This \$100 million investment is estimated to generate over 1,850 jobs immediately in the communities that receive grants and leverage tens of thousands more as the plans supported by this initiative are implemented. Part of the solution for improving our economy and for reducing our dependence on oil and household expenses is encouraging more sustainable communities. Communities with more housing and transportation choices, located closer to jobs, shops and schools, will attract more private investment and talent and be the most globally competitive.

The Sustainable Communities Initiative is administered in partnership with other Federal agencies most notably EPA and DOT, along with USDA, and with interested private sector partners and local communities to encourage sustainable planning and development strategies in communities of all shapes and sizes. The fiscal year 2013 request will support work in up to 25 regions and at least 50 additional communities resulting in locally created plans that better align public and private investments in housing and infrastructure that can result in significant cost savings for communities through smarter investments that leverage resources and support regional economies.

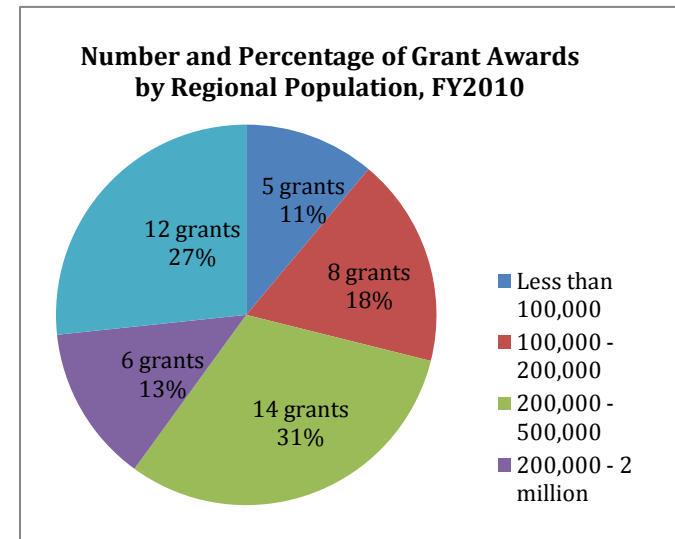
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Since their inception, both grant programs have placed a strong emphasis on leveraging additional public and private investments. The previous \$250 million federal investment, while only requiring a 20 percent match, was able to leverage close to 100 percent of additional non-Federal investment. In fiscal year 2013, the Office will continue to administer these two grant programs.

1. Regional Integrated Planning and Implementation Grants

First, the Office through its Sustainable Communities Initiative (SCI) will partner with its counterparts in the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and other Federal agencies with place-based funding programs to offer up to \$46 million for Regional Integrated Planning and Implementation Grants. Through this partnership, the Administration seeks to catalyze a new generation of locally established plans to integrate metropolitan transportation, housing, land use, energy, and disaster mitigation planning, using state-of-the-art data, analytic tools, community engagement strategies and Geographic Information Systems. These plans will serve as the framework for future cost-effective public investments in infrastructure, housing, and economic growth, and support investments that help reduce the cost of living and improve the quality of life in communities. HUD received \$100 million and awarded 3-year planning grants to 45 regions in fiscal year 2010. HUD received \$70 million in the fiscal year 2011 continuing resolution, of which grants were awarded to approximately 25 regions. For fiscal year 2012, \$100 million was requested for this program but funds were not appropriated. There are 363 eligible regions of more than 50,000

inhabitants across America eligible for this grant program and HUD anticipates providing funding to a quarter of these regions by fiscal year 2013. In fiscal year 2013, the first round of Sustainable Communities Regional Planning grantees will be completing their regional plans. Of the 45 grants awarded in fiscal year 2010, 28 were for Category I planning grants meaning that these regions were undertaking their first comprehensive regional planning effort. With the adoption and completion of these plans, many regions will be eligible for Category II implementation grants to invest in more localized planning efforts and catalytic projects. An additional 29 regions were funded in fiscal year 2011 and regions in 40 states are now funded by HUD to develop and update their plans. Every state has had at least one region submit an application for the program. In fiscal year 2010, 225 applications were submitted from regions of all sizes, and areas of the country. In fiscal year 2011, with only two-thirds of the funding available, HUD received applications from 191 regions. HUD also funded statewide planning grants to New Hampshire and Rhode Island that are being used to support local communities within the less populated portions of the state. In fiscal year 2010, 52 percent of applications for the



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Regional Planning grant program were received from regions under 200,000 in population. For many of these smaller communities who are experiencing a myriad of economic development, growth and infrastructure challenges, the Sustainable Communities Regional Planning grant is the only source of public funding to support locally developed regional plans, as, in most other instances, this role is assumed by the state. As a consequence, many housing, economic development and transportation investments made through the state are not closely aligned with local plans or priorities. Recognizing this important need, HUD has created a set-aside within both of its planning grant programs for smaller regions and communities to ensure that these applicants can be competitive in the review process. HUD also requires at least a 20 percent match in its planning grant programs, and has seen significant leveraging beyond this requirement in public and private dollars.

In fiscal year 2010, the \$98 million awarded in Sustainable Communities Regional Planning grants leveraged almost \$94 million in state, local, private sector and other Federal resources. Fiscal year 2011 saw a similar percentage of leveraged and match by grantees. Of the grants awarded in fiscal years 2010 and 2011, roughly 30 percent went to regions under 200,000 in population size. Indicative of the kind of work being funded by these grants are regional planning efforts underway in Maine, Mississippi, Iowa, North Carolina and Florida:

- The Greater Portland Council of Governments of Portland, Maine has partnered with a diverse group of consortium members that include Maine's Department of Transportation, the University of Southern Maine, local towns, and the State Planning office for development of a regional plan covering the Portland metro region, home to over 400,000 people. The plan will address sprawling land use development and limited housing choices that currently do not serve the growing immigrant and elderly populations. The region faces problems in urban, suburban and rural settings, with a majority of households spending 45 percent or more of income on housing and transportation costs. The grant will help to support a coordinated plan for the redevelopment of the Brunswick Naval Air Station as a model of mixed, sustainable use and workforce development, and the continued expansion of Amtrak Downeaster rail service in a corridor that will now span the entire project region including Brunswick. This process will ultimately identify locations for alignment of public, private and non-profit investment in development and redevelopment. In its first year of funding, nearly 6,000 goals from existing plans in the region have been streamlined into 30 concrete planning goals that the consortium is now sharing with residents for feedback. These goals will form the basis of the region's plan.
- Like many communities in the Mississippi Delta, Coahoma County is a rural area that suffers from high poverty rates, underdeveloped infrastructure, and a long history of population decline. Despite these challenges, Coahoma has recently taken significant steps towards revitalization, including a successful downtown redevelopment initiative to attract jobs in the county seat of Clarksdale and the launch of a countywide, resident-driven strategic planning process. The Regional Planning Grant will build on this momentum by funding the development of a detailed, sophisticated plan for revitalizing the physical,

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economic and natural infrastructure of the county including a regional analysis of impediments to fair housing, and the alignment of the region's economic development plan with its transportation plan.

- The Des Moines region in Iowa is expecting its population to increase 36 percent to 650,000 by the year 2035. The consortium headed by the Des Moines Area MPO seeks to start planning for this growth now while addressing long-term problems including the loss of farmland and severe flooding, which require a more comprehensive strategy that also supports continued economic development. The work supported by the HUD Sustainable Communities Regional Planning grant will provide a comprehensive framework for future development of the region that addresses all of these problems.
- Two regions in North Carolina received fiscal year 2010 Sustainable Communities Regional Planning Grants: Asheville and the Piedmont Triad. The state is playing a lead role in supporting cross-agency governance at the state level to support the coordination with stakeholders at the local level, and sustainable communities on the ground. Both HUD grants are supporting regional efforts to develop economic plans that are informed by substantial public input, and align with housing and transportation investment needs. In Asheville, a regional energy component of the plan will focus on reducing energy demand through conservation and energy efficiency, and diversifying energy supplies, potentially through diversified energy production at smaller plants. The regional plan will fill gaps in energy planning that exist at the local level, which is only one part of the larger environmental framework for the entire regional plan. Private sector partners are helping to ensure that these plans are grounded in market dynamics to support sustained economic prosperity for the region. The consortium, lead by Land-Of-Sky Regional Council, is meeting one-on-one with farmers to better understand their concerns and ideas about growth in the region. The Piedmont Authority for Regional Transportation is leading the second regional consortium and focusing development on deteriorating neighborhoods and abandoned manufacturing areas that will capitalize on existing infrastructure and employment centers and make more efficient investments in its future.
- In Central Florida, the Heartland Region consisting of the six rural counties of DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee is using its HUD Sustainable Communities Regional Planning grant to create a vision for the future that enables growth while preserving natural areas and protecting wildlife and agricultural production. One major component of the economic revitalization strategy is development of an alternative fuels industry, for both the near- and long-term. The region has considerable potential to develop as a leader in alternative fuels due to its extensive agricultural lands and favorable climate. HUD's grant is being used to leverage and coordinate funding from DOE and EDA to integrate the economic and green energy strategies with regional housing, transportation and land use goals. The region will identify the strategies needed to develop this industry cluster, addressing competitive factors such as economic development incentives and business support services; education and workforce development; access to capital; tax and regulatory structures; and land use and transportation decisions.

2. Community Challenge Planning Grants

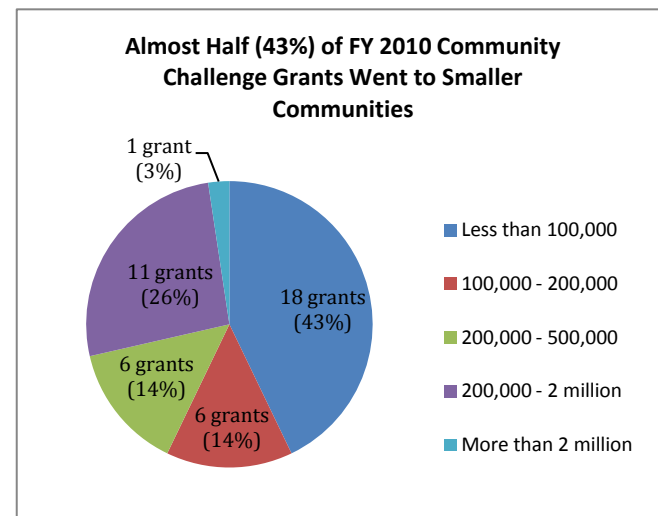
Second, the SCI will fund up to \$46 million for Community Challenge Planning Grants to provide a local complement to the regional planning initiative. This locally driven grant program will enable communities to reform outdated policies, codes, tools and critical capital investments that better integrate transportation, housing and economic development to support local real estate markets and private reinvestment. Demand for this program far exceeds existing resources, and HUD continues its commitment to support local, regional and state planning efforts across communities of different sizes and geographic regions.

This funding request is a slight increase over previous appropriations and HUD anticipates awarding at least 50 additional grants. The Community Challenge Planning Grant program has experienced significant demand from communities across the country that are seeking to modernize their building and zoning codes to better respond to local markets, economic development opportunities, changing demographics, and rising energy costs. The following chart shows the distribution of grants in fiscal year 2010 to communities of different population size. The trend was similar in the grants awarded in fiscal year 2011.

Many smaller and rural communities have previously lacked resources to develop local strategic plans to address changing demographic and economic needs and leverage economic and rural development funds and saw particular value in this program. For most communities with populations below 50,000, State agencies, not local communities, are responsible for planning. HUD funds have allowed these smaller places the opportunity to develop their own community-based plans to guide economic development, transportation investments and housing needs to inform state and local investments. There has been significant pent up demand for this type of planning in rural communities from the private sector as well. In fiscal year 2011, the \$30 million in Federal funding leveraged almost \$55 million in state, local and private sector resources.

The Community Challenge grant program provides small investments to support work by local communities to address challenges that impede their ability to be economically competitive in the 21st century. These include such local initiatives as:

- Establishing affordable housing land acquisition funds to ensure long-term affordability in neighborhoods that provide a variety of transportation choices and other community amenities;
- Integrating community revitalization plans with housing and transportation investments;



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- Updating local codes to support more efficient energy standards and building design;
- Supporting community level pre- and post-disaster planning that looks comprehensively at housing, transportation, environmental and economic resiliency and redevelopment;
- Station area planning to support proposed and existing transit service to ensure that neighborhood level plans contribute to transit ridership and other community-established goals; and
- Retrofitting main streets and commercial corridors to create greater economic opportunities for local businesses while also supporting increased housing and transportation choices for existing and future residents.

3. Research and Evaluation

Third, HUD will continue to expand research and evaluation to inform best practices, local implementation strategies and reduce barriers at the Federal level that impede the adoption of sustainable community strategies. The fiscal year 2013 proposal includes \$8 million for research, evaluation and monitoring, modeling tools, technical support and best practices. This funding request is divided between work to advance the field of practice for planning and building sustainable communities, and data development and technical assistance to support HUD's efforts to improve the energy efficiency of its housing portfolio.

i) Sustainable Communities Research and Evaluation

- a) *Sustainable Communities Clearinghouse*. This request builds on previous work funded in fiscal year 2010, including providing grants to universities and other institutions to undertake in-depth research necessary to provide empirical evidence on the impacts of different sustainability strategies. A focus in fiscal year 2013 will be to expand the body of knowledge on economic development and financial impacts resulting from different types of development. The nation's economic competitiveness depends upon our urban and rural regions knowing what types of development and investment decisions can yield the greatest return.

Sustainable Communities research and evaluation activities will include the maintenance of the Sustainable Communities Clearinghouse to disseminate best practices, demonstrate how to align Federally required planning efforts, and implement performance measures and state-of-the art modeling and scenario planning. The Federal government can disseminate best practices on successful strategies being developed across the country to leverage public and private investments to yield the greatest impacts, reduce public infrastructure costs, expand housing opportunities, and address environmental goals such as reducing depending on foreign energy.

- b) *Updated Modeling Tools and Datasets*. OSHC also anticipates issuing contracts to develop and update modeling tools and datasets that will allow for better decision-making by states and metropolitan planning organizations because HUD believes

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that better information supports better decision making. As such, the three Partnership for Sustainable Communities agencies are working together to identify and develop improved data sources and performance measures to evaluate the costs and benefits of Federal, state, regional and local investments. Using fiscal year 2010 funding, HUD is developing a Federal database to report on combined housing and transportation costs. HUD and EPA have also coordinated on a joint research project to evaluate the economic and job creation impacts associated with local sustainable communities strategies. EPA is supporting local adoption of performance measures to track such outcomes as decreases in vehicle miles traveled, increases in affordable housing units near public transportation, improved air quality measures, and job creation numbers. DOT is developing criteria for states to use to evaluate the livability benefits of proposed transportation investments. Through the Partnership, these different efforts are being coordinated to avoid duplication and additional administrative burdens for grantees.

- c) *Market Response to Affordable, Location Efficient Housing.* A key challenge that many communities are addressing as they expand the availability of transit choices for local residents, and support transit-oriented development near new and existing stations, is to ensure that low- and moderate-income households are not priced out of the market, and/or that there is a range of affordable housing opportunities for families at all income levels within proximity to transit. Experience has shown that proximity to transit often increases the value of land near transit stations, thereby resulting in high-end housing that is limited to higher income households.

Many communities are looking at strategies for ensuring that existing affordable housing is preserved near transit, or that a share of the housing (minimum of 20 percent) is affordable to working families. This typically involves innovative financing, zoning ordinances or additional subsidies. Working with the Federal Transit Administration (FTA) the Office will carry out two projects to increase our understanding of the relationship between transit and housing affordability: first, the Office will initiate a long-term study to monitor the impact of transit on housing prices and values near transit, at a selected number of locations; and, second, the Office will conduct an analysis of the potential policies, programs and financing mechanisms that are being tested in various parts of the country to stimulate the availability of affordable housing near transit.

- d) *Location.* Transportation Access and Foreclosures. A final research focus for fiscal year 2013 will examine the impact of location-efficiency on market risk and resiliency, in particular examining trends in foreclosures, property values, and market response to housing located in neighborhoods with greater transportation and housing choices, and a greater mix of development types. This will include a second phase of research on a housing and transportation affordability index to expand its application to smaller metropolitan areas, rural communities, and its potential as a predictive model for use as a planning tool.

ii) Sustainable Housing: Energy Efficiency and Green Building

HUD is requesting up to \$3 million in fiscal year 2013 to provide technical support for the Department's Annual Performance Goal to reduce energy costs in HUD-assisted properties. This request is a direct outcome of the Department's HUDStat data collection and reporting initiative instituted by the Secretary to target and track energy efficiency improvements in HUD-assisted properties. Significant progress has been made through HUDStat but further enhancements are required. The fiscal year 2013 Budget request will improve the ability of HUD's partners and grantees, including multifamily property owners, PHAs, as well as state and local recipients of formula and competitive grants, to lower energy consumption and incorporate healthy, lead-safe and other green building practices in HUD-supported housing.

This Budget request builds on the progress made in fiscal years 2010-2011 through HUD's Annual Performance Goal of 159,000 energy efficient and green units, representing an unprecedented level of investment aimed at lowering energy costs by an estimated \$402 million over 20 years, lowering carbon emissions by an estimated 159,100 metric tons annually and improving the health of public and assisted housing residents.¹ As of the 4th Quarter, fiscal year 2011, HUD had completed more than 195,000 units, significantly exceeding the 2-year target. In addition, HUD has established an ambitious goal of achieving a similar number of units for fiscal years 2012-2013, despite the loss of Recovery Act funds which accounted for more than 50 percent of the units reported in fiscal years 2010-2011.

At least 3 key areas for future development emerged from the HUDStat reporting exercise over the past 3 years, and this request directly responds to these needs:

- (1) The need for estimating costs and savings of energy and green improvements to enable HUD to assess the cost effectiveness of such improvements, and the related need to model the cost effectiveness of policies, procedures and incentives for energy efficiency in order to prioritize such actions;
- (2) The need for common definitions and standards for energy efficiency and green building that are, to the extent feasible, uniform across HUD programs; and
- (3) The need to leverage private sector and additional third party funds for investment in HUD-assisted properties, in light of the current cutbacks in public housing and formula grant programs.

¹ Estimates of cost savings and carbon emissions utilize assumptions developed by Oak Ridge National Laboratory for the Department of Energy, *Oak Ridge National Laboratory TM-2010/66* (http://weatherization.ornl.gov/pdfs/ORNL_TM-2010-66.pdf), discounted by 50% to reflect characteristics of HUD portfolio and investments.

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HUD's fiscal year 2013 Budget request for up to \$3 million is intended to enable OSHC to provide technical support to the Department in each of these areas, as described in more detail below:

a) Residential Energy Modeling System

Working largely with existing and available data, the proposed Residential Energy Modeling System (REMS) is aimed at enabling HUD program managers – as well as, potentially, portfolio managers at the property level – to better project the impact of programs and policies on energy use in HUD-assisted buildings, and to estimate energy savings and costs associated with HUD's investments in energy efficiency and green building.

Currently, HUD does not have the ability to model the costs of energy retrofit improvements and the associated savings with these improvements. Nor does HUD have the capacity to model or project the potential impact of policies, programs or actions on the energy efficiency of the HUD-assisted portfolio. Working with EPA's Portfolio Manager, REMS would provide HUD and its grantees with a format for benchmarking current energy use in HUD-assisted properties. The General Accountability Office in a recent audit of HUD's energy programs endorsed HUD's public housing benchmarking tool and recommended extending this tool to the multifamily portfolio.

The intent of this tool is to address these deficiencies by enabling HUD to: (1) estimate annual costs and savings associated with energy retrofits in its inventory of public and assisted housing, as well as other projects assisted with HUD funds; and, (2) model the effects of plans, actions and policies on energy consumption in HUD's portfolio.

This fiscal year 2013 Budget requests funds to develop and implement a Residential Energy Modeling System for HUD-assisted properties. The model will utilize existing data, and when adequate primary data does not exist develop proxies for such data. REMS will enable HUD to model a variety of energy saving scenario's – high, medium, low – and to support budget requests or policy initiatives that will be needed to achieve energy savings goals for each scenario. REMS will therefore enable HUD to move beyond short-term actions to undertake long-range energy modeling of its portfolio, through the year 2030. These longer time horizons are critical to enable HUD's partners to establish long range goals for lowering energy use and related housing stock in their portfolios. REMS will provide HUD with the capability to estimate energy use and expenditures related to HUD's 2-year Annual Performance Goal of energy efficient and green units 159,000 units.

b) Common Energy Standards and Protocols

The Department is working across program offices to implement a plan for achieving greater consistency across HUD programs with respect to energy requirements for properties that receive assistance through HUD programs. Current requirements vary widely. Working with DOE, USDA, Treasury and other agencies through the interagency Rental Policy Working Group, HUD has established a

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uniform three-part proposed framework for energy standards that would apply to new construction, substantial rehabilitation, and moderate rehabilitation or energy retrofits.

The 2013 Budget request will enable HUD to secure technical support to address the statutory requirements to specify, at a minimum, the 2006 IECC (or 2004 ASHRAE) standards across most new construction programs, and to specify the more current versions of those standards subject to a determination that doing so would not adversely affect affordable housing. In order to achieve compliance with the statutory requirements, HUD is required to determine the impact of new ASHRAE and IECC codes each year. The fiscal year 2013 request will enable HUD to secure technical support to make this determination. This funding request will also allow HUD to develop minimum energy requirements or guidelines for moderate and minor rehabilitation. Few HUD programs today address energy requirements in these kinds of developments.

c) Leveraging Utility and Private Sector Energy Efficiency Financing

By some estimates roughly \$4.5 billion is available through utilities to support energy efficiency improvements.² These programs represent a significant potential resource for the affordable housing sector, but the extent to which these incentives are either targeted to public and assisted housing or are taken advantage of by the affordable housing sector is not known. There is evidence, however, that multifamily rental housing which characterizes the HUD-assisted portfolio, is underserved by these programs, in that they tend to focus on single family homes. For example, the Public Service Company of Colorado, spent \$80 million in 2010 for energy efficiency for residential, small commercial and industrial customers; within the low-income residential programs, less than 10 percent of the budget was devoted to multifamily weatherization while 26 percent of Colorado households live in multifamily buildings. There is also a technical capacity issue with regard to serving multifamily buildings; there are significant opportunities for potential growth in utility-funded investments in the affordable multifamily sector.

Fiscal year 2013 funds will be used to work with key stakeholders to identify potential sources of utility and other sources of private sector funds for energy efficiency improvements in HUD-assisted programs; to assess the feasibility of coordinating these funds with HUD rental assistance and other HUD funds; and to pilot the use of these funds with interested utility and/or other private sector partners.

² The 2009 State Energy Efficiency Scorecard, "ACEEE Report E097 (Oct. 2009) estimated energy efficiency expenditures at \$2.5 billion. A more recent report, e M. Nevius, R. Eldridge, and J. Krouk, "The State of the Efficiency Program Industry: Budgets, Expenditures, and Impacts 2009," Consortium for Energy Efficiency (March 2010), available at: www.cee1.org/files/StateofEEIndustry2009.pdf. estimates 2009 energy efficiency spending, excluding load management, at \$4.5 billion by U.S. electric and gas companies.

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Staffing

<u>FTE</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>	<u>2013 Estimate</u>
Headquarters	15	17	17
Field .....	...	...	<u>1</u>
Total	15	17	18

The Office of Sustainable Housing and Communities was established in fiscal year 2010 and has two divisions: Sustainable Communities and Sustainable Housing. The fiscal year 2013 budget requests a slight increase in FTE to 18.0. This requested 0.9 increase in FTE directly relates to the increased need for GTR/GTM(s) associated with the 3 grant programs the Office administers. Currently the Office manages 143 Regional and Community Challenge planning grants, seven Capacity Building Grants, two Research Grants and almost \$8 million in research and evaluation contracts. The Office utilizes a very lean staffing structure supported by contractors. Additional staff comprises the Sustainable Housing team and focus their work on supporting interagency efforts to meet the Administration's Energy Retrofit goals.

The FTE included in the Sustainable Communities Initiative help to staff the Interagency Partnership for Sustainable Communities. This work involves policy development, particularly on identifying Federal barriers to aligning housing and transportation investments, and working with communities and other Federal agencies to try and address these barriers and assist states, regions and jurisdictions with better utilizing existing Federal programs. Staff also serves as Grant Technical Representatives and as Grant Managers to oversee and manage the existing OSHC grants, and to prepare NOFAs and manage the grant review and obligation process for the proposed fiscal year 2013 grant programs. Staff also manages contracts for research and evaluation to both monitor the effectiveness and impact of the Sustainable Communities Initiative and to provide improved data and best practices to assist in the implementation of such strategies at the state, regional and local levels.

A core element of staffing the Sustainable Housing Initiative is assisting in the Department's implementation of HUD's energy-related Annual Performance Goal through tracking and monitoring energy performance data across program offices. The OSHC fiscal year 2013 request includes \$8 million for research and program evaluation that includes support for the energy cost saving planning and tracking measures proposed under the Sustainable Housing Initiative which will require additional staffing to monitor and administer the energy-related contracts.

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In addition, the Office supports approximately 70 HUD Sustainability Officers located in HUD field offices nationwide to assist communities and states who are seeking Federal information on best practices, funding opportunities and problem solving to utilize existing Federal programs to implement local and regional plans that advance the Partnership's six Livability Principles. OSHC provides training and helps to facilitate partnerships between HUD Sustainability Officers and other field staff at DOT, EPA, USDA, FEMA and other agencies to facilitate interagency coordination that supports community goals, reduce Federal barriers and navigate Federal regulations.

Staff reductions below the requested 18.0 FTE impair the Department's ability to effectively manage and oversee the Office's numerous current grants and contracts, and limit the effectiveness of HUD in working with communities to help identify solutions and opportunities for Federal coordination to reduce barriers and implement plans that will help position the country to more effectively compete in the global market, reduce energy use, lower combined housing and transportation costs, and attract private sector investment.

3. Why this program is necessary and what will we get for the funds?

The Office of Sustainable Housing and Communities, in conjunction with the Partnership for Sustainable Communities, is continuing its work to provide communities with faster, more streamlined access to Federal programs and resources and is working closely with other Federal agencies, states, and local governments to ensure that Federal resources are used as efficiently as possible to meet the needs of communities around the country. Ensuring that Federal programs can support these local initiatives in cost-effective ways to improve our economic and energy security, environmental health, and maintain a high quality of life for American families is critical to winning the future. Reducing Federal barriers and targeting Federal funding to leverage public and private investments is also a key strategy to meeting this goal and ensuring America's economic competitiveness. The Administration's goal is to align Federal planning rules and regulations, as well as funding decisions, to encourage more balanced and cost-effective transportation investments, inclusive and affordable housing choices, more resilient economies, reinvestment in existing infrastructure, reduced energy costs and greenhouse gasses, and respect for the unique qualities of communities, whether they be urban, suburban or rural.

The funds requested in fiscal year 2013 are essential to furthering a movement that has begun, but needs additional support to flourish. As described earlier, the demand for the 2010 and 2011 Sustainable Communities grants far outstripped available funding. In fiscal year 2010, almost 800 applications were received, but only 42 grants were awarded. In fiscal year, 2011 only 10 percent of applications were able to be funded given reduced funding levels. The program is open to a wide range of eligible public entities including local jurisdictions, subdivisions of local government, states and regional planning agencies. This funding request responds to the continued demand from communities to develop strategic planning frameworks, reduce regulatory barriers and set the framework for private reinvestment in their communities. In particular, there is strong demand from rural, small town and suburban communities. In fiscal year 2010, 43 percent of the awarded grants went to communities under 100,000 in population. Many of these smaller and rural communities lack access to resources to develop local strategic plans which can address changing

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demographic and economic needs and leverage economic and rural development funds. In fiscal year 2011, a set-aside was created specifically to support small communities with populations under 50,000. Forty-one percent of the fiscal year 2011 Community Challenge grants went to these communities supporting locally-driven planning in rural, small town and suburban jurisdictions. The Budget request will continue this effort to support these critical places.

Sustainable Communities programs provide the funds necessary for communities and regions to make smarter investment plans.

Over the past 3 years, these small investments in planning leverage significant public and private investments to create multiple health, safety and environmental benefits and result in cost-savings from avoided infrastructure or services required to serve unplanned growth. In times of limited Federal resources, this type of strategic planning is especially important. Local and state governments are also facing financial constraints that limit their ability to undertake this type of effort alone. As housing market changes have occurred and America's economic base has shifted to a larger focus on service sector, IT, and light manufacturing jobs, many communities' zoning and building codes need to be updated to reflect 21st century business needs and housing markets. For example, in 2010, HUD provided a grant to Flint, MI to revise its local zoning and update the city's comprehensive plan for the first time in over 50 years. Through the Federal grant, the city was able to hire staff to lead a local planning effort ensuring that community input was received and a process established to develop its own 21st century vision for community redevelopment.

HUD's Sustainable Communities Initiative is about supporting locally driven initiatives with an emphasis on supporting more coordinated decision making between government agencies and with the private sector to ultimately result in avoided costs and more streamlined approval processes. We have seen that this kind of strategic, performance-based planning can yield **significant** cost savings in otherwise anticipated expenditures to taxpayers. For instance,

- In Salt Lake City, UT the Wasatch Valley regional 2040 plan is estimated to save almost \$4.5 billion in avoided infrastructure costs through prioritizing investments in existing communities and pursuing better coordination between future investments in housing and transportation.
- In Sacramento, CA the regional Blueprint adopted by the Metropolitan Planning Organization estimates a \$9 billion savings resulting from better alignment of infrastructure investments and development decisions.
- In Austin, TX a consortium of public and private partners is using its Sustainable Communities Regional Planning grant to develop a long-range regional transportation plan connecting a network of 37 mixed-use, mixed-income communities closely linked to transit and job centers. Austin's Department of Economic Growth and Redevelopment Services estimates that HUD's grant will help create at least 7,000 permanent jobs and thousands more in the construction sector, generating an additional \$1.1 billion of economic growth over the next 5 years and saving the taxpayer \$1.25 billion through better connected housing and businesses, more people employed and fewer people dependent on government services.

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The projects funded by the Sustainable Communities Initiative are central to the nation's need to become more economically competitive and a key part of that work is to reduce the cost of living for households. To find affordable housing, many working families have moved further out from the urban core. Jobs have also decentralized in many metropolitan regions. As a consequence, high transportation costs have depleted most or all of a family's savings on housing costs, and on average households spend more than half their incomes on just housing and transportation. According to a 2006 study by the Center for Housing Study, the average household pays 27 percent of its income for housing and 20 percent of its income to transportation. For working families earning \$50,000 these costs account for 57 percent of the household income and significantly impede their economic mobility. A more recent study from the Urban Land Institute on the Boston region found that households spent 54 percent of their incomes on both these costs. Improved coordination of housing and transportation investments can help to reduce these costs, and simultaneously meet other key national objectives including economic growth and reduced energy usage. The planning efforts supported by the Sustainable Communities Initiative provide communities and regions with the resources to address these challenges and identify ways in which infrastructure and housing investments can reduce the cost of living for households, while strengthening local economies.

Finally, the Sustainable Housing Initiative is tasked with providing support for the Department's efforts to lower energy costs and adopt green building technologies in public and assisted housing. This goal is aimed at making significant inroads towards increasing the energy efficiency of HUD-assisted rental housing. The residential sector--comprising approximately 130 million homes--is responsible for fully 20 percent of the nation's greenhouse gas emissions, 33 percent of electricity demand, and 22 percent of energy consumption. The President has established a goal of retrofitting one million homes annually as part of a long-term strategy to reduce the environmental impact of these buildings and reduce utility costs for both owners and residents. The significance of achieving energy savings in public and assisted housing is extraordinarily important, in that HUD's latest estimate is that expenditures for utilities through HUD's various programs exceeds \$6 billion. A 5 percent reduction in energy consumption could yield more than \$1 billion in cost savings over the next 5 years. At a time of budget and fiscal constraints (and rising energy costs), these funds could be utilized for much-needed operating and capital investment needs. Much of HUD's portfolio of public and assisted housing was built before the advent of residential energy codes, so there are significant opportunities for efficiencies in this sector. Continued implementation of HUD's energy efficient and green building initiatives will result in significant savings for building owners and/or building residents, improve the health and safety of HUD-assisted housing for building residents, and also lower HUD outlays for this significant component of HUD's budget.

4. How do we know that this program works?

HUD's Sustainable Communities Initiative plays a critical role in advancing Federal strategies to minimize red tape, coordinate investments to meet multiple economic, environmental and community objectives, and ensures that HUD is working in tandem with DOT and EPA as well as USDA and EDA to support local communities. These improvements save taxpayer money and demonstrate more efficient government, as demonstrated by the billions of dollars in avoided infrastructure costs realized in regions like Salt Lake

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City, UT and Sacramento, CA that have adopted more integrated regional plans to guide future growth. The Department is investing funds each year in research, technical assistance, and program evaluation efforts to ensure program results.

These regional development plans generate jobs, lower housing and transportation costs, and use limited public resources more wisely. A reduction in funding levels will result in fewer communities receiving funding to support their local objectives to develop strategic plans for accommodating future growth, expanding regional fair housing, and leveraging public investments to generate private sector market opportunities. Furthermore, these investments allow localities and regions to make needed updates to their local land use plans and building codes to better reflect the needs and opportunities for future economic development, respond to a changing housing market, and support regional investments that are inclusive of the needs of all residents and business sectors.

For energy efficiency and green building, without these funds, HUD's efforts to implement energy efficiency policies and programs aimed at achieving significant saving for residents, property owners and the taxpayer will be severely curtailed. While the primary responsibility for implementing energy efficiency initiatives is clearly at the program office level, the Office plays a unique role in providing support to and cross-program coordination between program offices in implementing energy efficiency policies that are shared and coordinated across program offices. In particular, the Office's role, as program lead for HUD's Agency Performance Goal for energy efficiency, in working with program offices to implement long range data sharing and capacity building initiatives, will be impacted.

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**SUSTAINABLE HOUSING AND COMMUNITIES
SUSTAINABLE HOUSING AND COMMUNITIES INITIATIVES
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Regional Integrated								
Planning Grants	[\$69,860]	[\$98,000]	[\$167,860]	[\$98,000]	...	[\$67,160]	[\$67,160]	[\$46,000]
Community Challenge								
Planning Grants	[29,940]	[40,000]	[69,940]	[40,000]	...	[28,642]	[28,642]	[46,000]
Research and Evaluation	...	[10,434]	[10,434]	[9,830]	...	[3,604]	[3,604]	[8,000]
Total	[99,800]	[148,434]	[248,234]	[147,830]	...	[99,406]	[99,406]	[100,000]

NOTE: The funding for this request is part of the Community Development Fund.