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LEGAL PROCESSING DIVISION
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To Whom It May Concern:

Enterprise supports the above-referenced proposed regulations to provide for more accurate tenant utility allowances in affordable rental properties assisted by the Low Income Housing Tax Credit (LIHTC) and urges the Service and Treasury Department to expedite the adoption of the proposed regulations with additional flexibility as described below.

Enterprise is a national nonprofit organization whose mission is to see to it that all low-income people in the United States have the opportunity for fit and affordable housing and to move up and out of poverty into the mainstream of American life. Enterprise currently invests more than $1 billion annually in LIHTC equity, as well as loans, grants and technical assistance, to create affordable homes and strengthen communities nationwide.

Enterprise's Green Communities initiative and related activities support more energy efficient and environmentally sustainable approaches to the construction, rehabilitation and operation of affordable housing, for the purposes of delivering tangible health, economic and environmental benefits to low-income families and communities. The proposed regulations would support that objective. Specifically, the proposed regulations would encourage developers/owners of LIHTC properties to invest in measures to increase the properties' energy efficiency.

Utility bills often impose a substantial financial hardship on low-income households, forcing many to make tradeoffs between heat or electricity and other basic necessities. In 2005, the National Energy Assistance Directors' Association issued the results of a nationwide study of more than 1,100 households that received assistance under the Low Income Home Energy Assistance Program (LIHEAP).

The study documented the choices that LIHEAP recipients make when faced with unaffordable home energy bills. During the prior five years, 57 percent of non-senior owners and 36 percent of non-senior renters went without medical or dental care, 25 percent made a partial payment or missed a whole rent or mortgage payment and 20 percent went without food for at least one day.

In addition, energy costs have increased much faster than incomes for low-income households in recent years. Today a family earning minimum wage pays more than four times as much of their income for energy as a median income household.

Research and experience show that the benefits of achieving significant energy savings in affordable housing are multidimensional. The definitive study on the costs and benefits of "green" affordable housing, by New Ecology and the Tellus Institute, concluded:

> From a life-cycle net present value perspective, the case studies show that the benefits of green affordable housing are real and, in some cases, substantial. In virtually all the cases, energy and water utility costs are lower than their conventional counterparts. In many cases, decreased operating expenditures alone more than pay for the incremental initial investment in greening the project in present value terms... For residents of affordable housing units, the life-cycle financial outcome is almost always positive.[1]

In addition, the benefits of increasing energy efficiency in affordable housing include more than financial savings. Studies of home weatherization and energy retrofit programs have catalogued an "array of benefits beyond energy savings," including greater comfort, convenience, health, safety and noise reduction.

Finally, greater energy efficiency of affordable housing can have broad environmental benefits. For example, one study found that weatherizing 12,000 homes in Ohio cut average utility costs for low-income homeowners by an average of several hundred dollars per year, while also avoiding more than 100,000 pounds of sulfur dioxide and 24 tons of CO2 emissions.[2]

The LIHTC is the primary federal program for the construction and rehabilitation of affordable rental apartments for low-income people. The credit has financed more than 2 million affordable apartments since its enactment in 1986 and accounts for almost all newly constructed and substantially rehabilitated affordable rental housing produced each year – roughly 125,000 units.

In many areas, the utility allowance estimates for LIHTC developments are based on older properties with much higher energy costs due to less efficient design and construction than is possible and increasingly common today. This results in higher than necessary utility allowances for many newer tax credit properties and reduces the incentive for developers/owners to incorporate energy and water efficient features into their developments. Developers/owners generally are not able to use alternative sources or methodologies to establish more accurate utility allowances.

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[1] William Bradshaw et. al., *The Costs and Benefits of Green Affordable Housing*, (Cambridge, Mass.: New Ecology, 2005), 10.

[2 2] "Testimony of Dan W. Reicher, director, Climate Change and Energy Initiatives," Google.org, Before the Senate Committee on Finance, Feb. 27, 2007.

More accurate utility allowances would encourage affordable housing developers/owners to make their projects more efficient by enabling them to increase rents by some or the entire amount of utility cost savings. Increased cash flow from rents would accelerate the payback of any efficiency features that had higher upfront costs. Projected higher cash flows could be the basis for financing a portion of the technical work associated with the energy upgrades themselves.[3]

In response to recommendations by a number of housing organizations, the regulations proposed in June provided developers/owners greater flexibility to calculate more accurate utility allowances in LIHTC properties. The proposed regulations would allow owners to use a new publicly available online HUD computer model (*http://www.huduser.org/resources/utilmodel.html*) to calculate utility allowances even if the local housing agency does not use this model. Owners also could use a utility allowance estimate provided by the state Housing Finance Agency. Enterprise supports both approaches.

In addition, the proposed regulations would require a building owner to review, at least annually, the basis on which utility allowances have been established and update the applicable utility allowance. The proposed rule requires the review take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates. Enterprise supports this policy.

In the proposed regulations, the Service and Treasury Department request comments on whether other models should be available for calculating utility allowances in LIHTC properties. Enterprise recommends that local agencies are provided flexibility to use programs for determining energy and water usage in LIHTC properties developed by engineers certified by state agencies responsible for administering the LIHTC.

Enterprise believes there is great urgency to act to address low-income energy costs and environmental challenges. The above-referenced proposed regulations would be a very positive step. We urge the Service to approve these regulations, with the additional flexibility we recommend, as soon as possible.

With the speedy adoption of improved utility allowances for LIHTC properties, Enterprise looks forward to working with the Service, Treasury Department, Department of Housing and Urban Development and other national housing organizations to strongly encourage local agencies to utilize the new flexibility provided in the final regulations, and to offer assistance to agencies and developers/owners in utilizing the new approaches.

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[3] Under a more flexible utility policy, developers/owners would also have the option of sharing some of the benefits of lower utility costs with residents, by raising rent by an amount less than the full reduction in the new utility allowance. Note that low-income residents' *overall housing costs* (rent plus utilities) would not necessarily increase, even if developers/owners captured all the costs savings through higher rents.

We appreciate the opportunity to comment on this important affordable housing and energy efficacy policy.

Sincerely,

Stockton Williams
Senior Vice President/Managing Director