INDUSTRY INSIGHTS

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

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Sustainability Efforts through the Low-Income Housing Tax Credit Program

According to Architecture 2030, buildings generate nearly 40% of annual global greenhouse emissions. 11% of these emissions stem from construction, while 28% are part of building operations. This makes the building sector an essential partner in developing and implementing any energy efficiency strategy employed to limit the effects of climate change on our communities.

New Jersey Housing and Mortgage Finance Agency (NJHMFA) exists to provide and advocate for affordable housing and homeownership throughout New Jersey. Sustainability is a key facet of advancing this mission.

Fortunately, NJHMFA is uniquely positioned to establish, implement, and monitor large-scale housing sustainability efforts. Through Low-Income Housing Tax Credit (LIHTC) criteria, Multifamily Underwriting Guidelines, and financing initiatives, NJHMFA can combat deleterious environmental and resident impacts by incentivizing the construction and renovation of energy efficient affordable housing across New Jersey. Utilizing these tools to spur industry change, our sustainability programs have been highly effective. New Jersey is a national leader in LIHTC green development. Our developments are generally greater than 30% more efficient than other projects across the Portfolio Manager national platform.

NJHMFA aims to expand upon this success by promoting modern sustainability standards across its entire portfolio of new and existing developments and supporting single family home remediation to address health and environmental hazards.

The LIHTC program is the most prolific funding source for new affordable rental apartments in the country. Under the LIHTC program, federal tax credits are awarded to help subsidize the development of new affordable apartments or rehabilitation of existing affordable properties.

IRS Code 42, which codifies LIHTC, requires that each state's Qualified Allocation Plan selection criteria include the project's energy efficiency. Each state is left to interpret and enforce this as they see fit. New Jersey developed a robust green program, beginning with Energy Star compliance and progressing through several iterations of our own green programs, followed by the inclusion of several nationally recognized green housing standards, and finally arriving at the current inclusion of energy benchmarking requirements. Through these initiatives, spearheaded by Agency staff, and with support through DCA's green housing fund and NJ's Clean Energy Council, New Jersey has developed one of the most innovative LIHTC programs in the country.

From 2006 to 2017, Global Green USA, an affiliate of Green Cross International, an international nongovernmental organization, analyzed each state's QAP, ranking them by categories including Smart Growth, Energy Efficiency, Resource Conservation and Health Protection. New Jersey consistently ranked within the top tier of all 50 states with an "A" average grade. This was due, in part, to our inclusion of points for green building programs such as Enterprise Green Communities and the US Green Building Council's Leadership in Energy and Environmental Design. Since 2013, NJHMFA's energy benchmarking data initiative has allowed NJHMFA and its partners at the Rutgers Center for Green Building to track years of multifamily property energy use across a robust portfolio, informing national research and reporting on housing energy efficiency. Sponsors are required to track and submit energy usage and gas/electric costs for at least 50% of all residential units in new

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construction, and at least 30% of residential units in rehab projects. New construction projects collect energy data for a period of 3 years. Rehab projects, if possible, collect data from the year prior to construction, and then 2 years post construction. This information, along with key components of each building's characteristics (heating, cooling, hot water, high rise, low rise, senior, family, etc.), is beginning to inform and create a new body of knowledge related to the energy efficient behavior of each property, as well as track actual energy costs against underwriting assumptions.

Now, NJHMFA has begun creating energy scorecards for agency-financed projects, providing an easy, accessible benchmark for project energy performance. This has promoted the use of energy saving building systems and encouraged consideration of integrated and complementary building materials and mechanical equipment choices, yielding an average 30% reduction in resident utility bills.

Despite these successes, residents still struggle with energy cost burdens and the multifamily market struggles to keep up with rapidly changing climate and market conditions.

Older buildings, constructed during a time of cheap utility costs, were energy hogs. They contained single pane windows and had little or no insulation in their walls. As gas and oil prices rose during the latter half of the 20th Century, the costs to heat and cool these buildings became an enormous burden on their inhabitants, especially on those at the lower end of the economic scale. The cost burdens for the lowest income households can be as high as 20%.

Additionally, based upon observed effects during the pandemic, we now know we need to adapt our standards to address improved air quality and ventilation as integral parts of energy efficiency upgrades.

Ultimately, an energy efficient building is a resilient building, which can better survive temperature fluctuations and better allow residents to shelter in place during emergencies.

Reducing emissions and targeting a future where buildings create as much as energy as they use, achieving Net Zero goals, are key to the successful implementation of state and national sustainability initiatives. Continuing to improve resiliency and energy efficiency is critical to future success and the sustainability of multi-family housing in New Jersey. We now have a unique opportunity, as we recover from the COVID-19 pandemic, to help combat the carbon and health impacts of substandard housing by incentivizing the construction and renovation of energy efficient affordable housing, and implementing large-scale rehabilitation and remediation projects that position our affordable housing stock for a more sustainable future. To this end, HMFA's Technical Services architectural and engineering team is always available to aid our development partners with the selection of possible scope items, retrofit strategies, benchmarking best methods, and help in navigating various green building programs. Now, supporting adoption of cutting-edge sustainability models and benchmarks as well as championing deep energy retrofits and community healthy homes initiatives via programmatic assistance and direct funding are the next practical steps we are taking toward achieving broader efficiency goals.

NJHMFA looks forward to partnering with communities, stakeholders, and developers through these initiatives to improve and maintain the affordable housing stock in our state in an energy efficient and cost-effective manner.

