



The Honorable Lisa Murkowski
709 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Maria Cantwell
511 Hart Senate Office Building
Washington, D.C. 20510

April 28, 2015

Dear Chairwoman Murkowski and Ranking Member Cantwell,

The undersigned organizations would like to express our support for the *Energy Savings and Industrial Competitiveness Act of 2015* (S. 720). This bipartisan energy efficiency legislation includes a pay-for-success multifamily energy and water conservation demonstration, which leverages private sector resources and achieves cost savings in affordable housing.

The federal government is the single largest energy user in the United States. The U.S. Department of Housing and Urban Development (HUD) currently spends \$7 billion annually on energy and water. Through energy efficiency retrofits, HUD could achieve 20 percent or more in energy savings using tested energy efficiency solutions, which have a long history of successfully generating savings in the privately-owned commercial sector. The pay-for-success model would allow HUD to use these same types of performance-based contracts to conduct energy and water efficiency improvements in HUD-assisted multifamily housing with the goal of reducing costs to the federal government.

Under the proposed pilot program, intermediaries would raise private capital and work with energy service companies and/or others to make appropriate and economically justifiable upgrades to HUD-assisted properties. HUD would pay back investors only based on actual, verified savings.

Taxpayers would bear no risk, as the federal government would not incur any costs until energy savings are verified by a third party. Because this budget-neutral approach would leverage private investments from foundations and social impact investors to pay upfront costs, the federal government would not even incur costs after savings have been produced and verified.

A pay-for-success demonstration would address challenges currently faced by owners of affordable multifamily properties, including lack of capital, financial disincentives, regulatory barriers, and split incentives among building owners and tenants. Assisted housing property owners currently lack access to capital for this work, and if they borrow funds to conduct the retrofits, they cannot use the energy savings to service the debt, as the savings benefits ultimately flow to HUD – not to property owners. This proposal would allow a stream of non-federal capital from foundations to pay the upfront costs for energy efficiency measures, and the foundations would be able to recover their investments from the resulting energy savings, which would be shared with HUD.



Given this proposal's potential to harness private sector resources and approaches to lower energy costs without additional outlays, it has been included in numerous pieces of bipartisan legislation, including the Fiscal Year 2015 Senate Transportation, Housing and Urban Development bill.

We look forward to working with the Senate Committee on Energy and Natural Resources on this important issue.

Sincerely,

Enterprise Community Partners
Stewards of Affordable Housing for the Future
Low Income Investment Fund
National Housing Conference
Montgomery Housing Partnership
California Housing Partnership
Green and Healthy Homes Initiative
Habitat for Humanity International
Mercy Housing
Housing Partnership Network
Institute for Market Transformation