

SUMMARY TESTIMONY TO HOUSE COMMITTEE ON ENVIRONMENT & ENERGY ON S.5

Kathy Beyer, SVP Real Estate Development

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It's a question of balance: the AHA is attempting to balance the need to reduce GHG emissions, and the need for an equitable outcome for low and moderate income Vermonters. That is the question for you, the Legislature to answer,

S.5 does include income-based mandates which direct 16% of the credits to low income households and 16% of the benefits to moderate income households. Is this the right balance?

**As we explore this question of balance, I would like to talk about some of the low income households who may be left at the back of the line.**

First, defining low income as below 60%, and moderate income as below 120% is essential and should not be watered down. Defining low and moderate income, is critical to understand the equity balance in this legislation.

I would like to shift to the types of housing that will be impacted differently by the implementation of the AHA.

First and most obvious, our residential housing stock is divided between homeownership and rental.

I think it is fair to say that decarbonization our single family housing stock will be much easier than our larger, multifamily rental housing. And we also know that the lowest income Vermonters live in rental housing.

Why do I say that decarbonizing a SF home will be easier? It's just the physical nature of the building. Adding a heat pump to a SF home is much more straightforward than adding 30 heat pumps to a three-story apartment building.

However, within the SF home category, we know that there are low income households who own an aging home, and that decarbonizing that home will be costly and involve the need to upgrade other building systems such a structural deficiencies, completely inadequate thermal shells, and electrical wiring issues. These homes will be the most costly to retrofit, and I would suggest will be at the back of line for the AHA marketplace of credits. Adding the replacement of mobile homes with energy efficient manufactured housing in Section 1827 to the list of eligible measures should be maintained.

In the renter category, the low income household that will be completely left out of benefiting from the AHA are the renters who are paying for their own heat. The AHA does not address what is called the split incentive, where landlords will have no incentive to decarbonize, and renters will face rising heating costs. Unfortunately, the majority of renters fall into this category.



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But some landlords do pay for central heating and certainly most of the affordable multifamily rental housing in Vermont does include the cost of heat in the rent. So these buildings and owners may be better positioned to benefit from the AHA, but some of these MF buildings may also be very challenged for a retrofit: I already talked about the physical challenge, we need to find a way to run refrigerant lines through out the building. We need to find a place to locate multiple condensers. We may need to upgrade the electric service. And in or older buildings, we may need to upgrade the thermal shell which is costly and may require relocation of the tenants. So these older, more complicated MF buildings will also be at the back of the line, hoping to decarbonize but lacking the total capital stack needed to do so.

Most low income homeowners and renters or landlords will not be able to add more debt to assist in implementing these costs. So to the extent that the AHA credits do not cover all the costs of the retrofit, there will be a gap.

My intention is to point out the balance question; as currently drafted, does the AHA strike the appropriate balance between GHG reduction and the burdens placed on low income Vermonters, some of which I have listed.

#### Suggestions for amendments to S.5:

1. Should the AHA front load the benefits to LMI households beyond the 16%/16% targets? Or be even bolder, and make a statement that LMI households will be first in line in our decarbonization efforts, and 100% of the early benefit will go to these households during the first years?
2. Maintain the definition of low income households as below 60%, and moderate income as below 120%.
3. Given our lowest income Vermonters live in rental housing, should the AHA also set up targets for the allocation of the credits between H.O. and rental housing?
4. Can the AHA do anything to address the split incentive problem for renters who pay for their own utilities? If not, what other circuit breakers are in place for these renters? Consider tying LIHEAP funding increases to the increased costs to renters due to the AHA.
5. Implementing the decarbonization of our existing housing stock must be done, but is a steep mountain to climb. Will low income homeowners and rental housing owners have access to technical assistance to implement a decarbonization strategy ?
6. Incorporate an assessment on low and moderate income households changes in energy burden by 2028 to better understand the implementation costs of the AHA.
7. Better coordinate the work of the TAG with the Clean Heat Standard Equity Advisory Group, such that TAG is also considering equity impacts.

100 Bank Street, Suite 400, Burlington, VT 05401  
Phone: 802.863.8424 Fax: 802.660.9034

120 Exchange Street, Suite 600, Portland, ME 04101  
Phone: 207.772.8255 Fax: 207.772.8241