

ENERGY EFFICIENCY FOR FEDERAL BUILDINGS & MORTGAGES

The Energy Efficiency for Federal Buildings and Mortgages package would extend energy efficiency improvement targets in federal buildings and require federal mortgage agencies to include energy efficiency as a factor in determining the value and affordability of a home. This package combines a revised version of the All-of-the-Above Federal Building Energy Conservation Act, sponsored by Sens. Hoeven (R-N.D.) and Manchin (D-W.Va.), and the SAVE Act, sponsored by Sens. Bennet (D-Colo.) and Isakson (R-Ga.).

The federal building energy savings provision would replace parts of Section 433 of the Energy Independence and Security Act of 2007 (EISA), with energy efficiency provisions. The savings resulting from the federal buildings modifications would offset the expenses associated with the SAVE Act.

- Preliminary estimates indicate that *this amendment will reduce energy consumption and CO₂ emissions by at least ten times more than the original Section 433 would*, if implemented.

What does this package do?

Strikes the provision of EISA, Section 433 which established a requirement that federal buildings “shall be designed so that the fossil fuel-generated energy consumption of the building is reduced...” to 50% in 2010 and 0% in 2030.

Includes the full updated text of the SAVE Act (S. Amdt. 1844 to S. 1392). The SAVE Act would require all federal agency-issued, insured, purchased, or securitized home mortgages to account for energy efficiency in the mortgage appraisal and underwriting process. As a result, a more energy-efficient home would be appraised at a higher value. A borrower would also possess an increased ability to afford an energy-efficient home because s/he would save money on utility bills and be more likely to make timely mortgage payments.

Replaces the 433 provision with energy efficiency provisions for federal buildings:

- Extends existing federal building energy efficiency improvement targets—a 3% improvement per year—from 2015 to 2017.
- Expands the scope of existing energy standards for new federal buildings to cover major renovations.
- Requires DOE to review the results of the implementation of the energy performance requirements. DOE would then analyze the cost-effectiveness and feasibility of extending the energy savings targets—with a 3% improvement per year—from 2018 to 2030.
- Requires federal energy managers to complete comprehensive energy and water evaluations every four years, to ensure that federal buildings are performing at their optimal level of energy efficiency.
- Requires federal energy managers to explain why agencies did not implement any energy- or water-saving measures that were deemed life-cycle cost effective.

- Codifies the requirements of the Administration’s “Guiding Principles for Sustainable New Construction and Major Renovations.” Any future rulemakings would include these requirements for all new federal buildings larger than 5000 square feet. These guidelines include goals for energy performance, renewable energy usage, water conservation, indoor environmental quality, and reducing the environmental impact of materials.

Energy Efficiency for Federal Buildings & Mortgages by the Numbers

SAVE Act

- Requires all federal agency-issued, insured, purchased, or securitized home mortgages to account for energy efficiency in the mortgage appraisal and underwriting process.
- An analysis of the SAVE Act conducted by IMT and ACEEE¹ found that the bill would result in:
 - 83,000 annual jobs by 2020.
 - Annual energy bill savings of \$1.1 billion by 2020.
- Congressional Budget Office (CBO) has scored this bill as resulting in direct spending of approximately \$15-20 million (in total) over the 10-year budget window.

Federal Buildings Compromise

- Preliminary estimates demonstrate that it would reduce energy consumption and CO₂ emissions by at least ten times more than the original Section 433 would, if implemented.
- Preliminary estimates also show that it would result in net savings of \$20-30 million over 10 years – enough to pay for the SAVE Act.

Background: Federal Buildings

The amendment, if adopted, would extend the existing federal building energy efficiency improvement targets—a 3% improvement per year—from 2015 to 2017. It would also extend the existing 30% below code requirement for new federal buildings to all buildings undergoing major renovations.

By the end of 2017, DOE would be required review the results of the implementation of the energy performance requirements. DOE would then analyze the cost-effectiveness and feasibility of extending the energy savings targets—with a 3% improvement per year—from 2018 to 2030.

To ensure that federal buildings are performing at their optimal level of energy efficiency, energy managers would be required to complete regular comprehensive energy and water evaluations. Each facility would be evaluated at least once every four years. Energy managers would be required to explain why agencies did not implement any energy- or water-saving measures that were deemed life-cycle cost effective.

This amendment would also codify the requirements of the Administration’s “Guiding Principles for Sustainable New Construction and Major Renovations.” Any future rulemakings would include these

¹ IMT/ACEEE analysis, http://www.imt.org/uploads/resources/files/ACEEE-IMT_SAVE_Act_Job_Impacts.pdf

requirements for all new federal buildings larger than 5000 square feet, unless the guidelines are found not to be life-cycle cost effective. These guidelines include goals for energy performance, renewable energy usage, water conservation, indoor environmental quality, and reducing the environmental impact of materials.

Background: Mortgages

Finally, this amendment includes the full updated text of the SAVE Act (S. Amdt. 1844 to S. 1392, as revised per CBO), introduced by Sens. Isakson (R-Ga.) and Bennet (D-Colo.).

Home energy costs can make up a significant portion of a household budget; in many cases, utility bills are larger than both property taxes and homeowners insurance. However, household energy costs can vary substantially, depending on energy efficiency measures and other characteristics, making a home's efficiency level a key component in determining its value. Current appraisals do not account for energy efficiency when calculating the affordability and value of a home. The SAVE Act, which offers a voluntary energy efficiency evaluation as part of the mortgage underwriting process, would help consumers and lenders better evaluate the true value of residences.

Specifically, the SAVE Act would direct the Department of Housing and Urban Development (HUD) to update its underwriting and appraisal guidelines for borrowers and homeowners who choose to submit a qualified home energy report. Lenders would justify expected energy cost savings by determining both the Debt-to-Income Ratio (testing of the borrower's ability to afford monthly mortgage payments), and the Loan-to-Value Ratio, (comparison of the loan to the value of the home).

As a result, a more energy-efficient home would be appraised at a higher value. A borrower would also possess an increased ability to afford an energy-efficient home because s/he would save money on utility bills and be more likely to make timely mortgage payments.