



A Federal/Local Government Partnership that Breaks the Home Energy Retrofit Conundrum

An Energy & Environment White Paper
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President-elect Obama has pledged to make the development of a green energy economy a hallmark of his Administration and the Democratic Congressional leadership has signaled its own commitment to a green future. Local governments are uniquely positioned to partner with the President-elect and Congress to transform this vision into reality.

Cities and counties across America are the first responders to the challenge of climate change – improving energy efficiency standards for buildings, promoting solar and geothermal projects, improving mass transit systems, and reducing vehicle miles traveled through local land use and smart growth policies.

Local governments can be particularly effective in reducing greenhouse gas (GHG) emissions caused by home energy consumption. This single source contributes almost one-third of our nation's and 10% of the world's GHG emissions. We all know that homes waste energy; last year GHG emissions from the residential sector increased more than any other source.

Every reputable study makes clear that retrofitting our homes with simple things like sealing and caulking, as well as energy-efficient lighting, windows, insulation, and heating and cooling systems, is the single most cost-effective way to reduce GHG emissions. Saving energy from homes is not only inexpensive; it can actually result in a positive cash flow for homeowners. The icing on the cake is that by investing in home energy efficiency we would produce thousands of local green jobs for contractors and builders that have been devastated as the housing market has tanked.

Bottom line: we could put money in people's pockets, stimulate our economy, create new green jobs, reduce our dependence on foreign oil and help

save the planet. So what stands in the way? The lack of an accessible and low-cost financing option that makes sense for homeowners. This remains the principle barrier to plucking the lowest of the low hanging fruit.

Fortunately, the broad parameters of a solution are coming into focus—a combination of energy audits that help owners identify cost-effective efficiency measures; low cost financing; and the unique ability of local governments to tie repayments of the loan to the property through the property tax bill.

Here is how it would work. Suzie and Harry Homeowner receive a \$5,000 loan from the proposed Montgomery County Home Retrofit Revolving Fund to pay for an energy audit and the recommended efficiency improvements. The Homeowner family would repay the loan through a line item on their property tax bill. The advantage of this approach is that the Homeowners would only have to repay the loan while they owned the house. The new owner would continue to repay the loan through the property tax bill – and enjoy the lower energy costs – after they acquire the property.

Local governments' ability to tie home energy retrofit loans to the property is a game changer because a key barrier to investments in energy efficiency is the homeowners' uncertainty about whether they will be in the house long enough to realize the benefits of their investment. Regardless of how long the homeowner stays in a property, the homeowner need only weigh the reduction in her utility bills against the monthly cost of the loan.

Using this approach, a homeowner is likely to make a larger investment sooner, resulting in greater savings and a more marketable home to sell. Today, with current financing options, homeowners often opt for measures with a two to three year payback. Under this model, measures with seven year paybacks can be financed under terms that are attractive and more than pay for themselves.

The County estimates that a \$5,000 package of home retrofit measures under this program will reduce the family's energy consumption and carbon emissions by 20% a year and put a net \$230 a year back into their stressed family budget.

This same model will encourage investment in solar technology. The front-end cost of solar and the timeframe to realize "payback" often acts as a deterrent to purchasing home solar systems. Low-cost financing, solar tax credits, and a repayment plan that is linked to the property make investment in solar energy much more affordable. The combination of robust energy efficiency measures and

solar energy production could easily reduce GHG emissions from our residential building sector by half.

The role of local government is critical to breaking financial the barriers to home energy retrofits. We want a significant percentage of homeowners to invest \$5,000 to improve the energy efficiency of their homes. In order to achieve these goals, we need a robust source of funds. Local governments in this economy are already at the breaking point. We need the assistance of the federal government to make this model work nationwide and to provide the zero interest financing that only the federal government is in a position to provide.

The economic recovery legislation that is being developed by President-elect Obama and Congress should include federal funding to capitalize Local Government Home Retrofit Revolving Funds across the country. Certainly if we can provide trillions for Wall Street with unknown results, we can provide billions for a secure revolving fund that will put people back to work in communities across the country, revitalize our economy, and preserve our planet.

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