



September 19th, 2022

To: Michelle Gransee, Emily Beltt and Suzy Meneguzzo
Minnesota Department of Commerce, Division of Energy Resources

From: Minnesota Energy Efficiency for All Coalition

Re: Minnesota's Weatherization Assistance Program State Plan for Bipartisan Infrastructure Law Funding

These comments are being submitted on behalf of National Housing Trust, Fresh Energy, Minnesota Housing Partnership, Midwest Energy Efficiency Alliance and Natural Resources Defense Council, who are members of the Minnesota Energy Efficiency for All coalition (MN EEFA). Since 2014, the [Minnesota Energy Efficiency for All](#) (EEFA) coalition has worked to increase energy efficiency in underserved multifamily households while advancing the creation and preservation of safe, healthy and resilient communities, and the elimination of high energy burdens in our most vulnerable communities. Minnesota's Weatherization Assistance Program (WAP) is central to this mission, with its goal of increasing energy efficiency while ensuring health and safety for the state's low-income households. As the U.S. Department of Energy (DOE) prepares to invest \$76+ million into Minnesota's WAP through the Bipartisan Infrastructure Law (BIL), we submit the following recommendations and comments regarding the disbursement of these funds and other actions by Minnesota's Department of Commerce (DOC).

Affordable multifamily homes are the least likely type of housing to have energy efficiency upgrades. Renters in multifamily affordable housing have little to no control over energy management decisions, and because energy costs are generally paid by renters, property owners are not adequately incentivized to pay the upfront costs of energy efficiency improvements. As a result, low-income renters, often people of color, face heavy energy burdens and risks of utility shutoffs, evictions, and homelessness. Across Minnesota, 63% of extremely low-income renters (households making at or below 30% of area median income) pay more than half of their income towards rent and utilities combined.¹

Minnesota's WAP aims to increase energy efficiency while ensuring health and safety for the state's low-income households, but the program overwhelmingly serves only single-family households. While we recognize the regulatory, technical and cost barriers that have traditionally prevented more multifamily projects from taking place in WAP, the advent of Bipartisan Infrastructure Law (BIL) funds offers the opportunity for Minnesota to pursue more flexible pathways to serve low-income households in multifamily buildings.

We are encouraged by the following proposed actions outlined in Minnesota's *Bipartisan Infrastructure Law Weatherization Assistance Program for Low-Income Persons Grant Application*, which we believe will help increase the number of multifamily buildings being weatherized:

¹ National Low-Income Housing Coalition tabulations of 2020 American Community Survey, <https://nlihc.org/housing-needs-by-state/minnesota>

- For those Service Providers who determine they do not have the capacity to weatherize multifamily buildings in their areas, DOC will work with another Service Provider or an outside contractor to develop multifamily projects following appropriate procurement processes.
- As part of Minnesota's *Framework for Effective Leveraging*, DOC will offer multifamily specific workshops, training and technical assistance to expand services to multifamily buildings.
- DOC will engage a multifamily focused Technical Assistance Liaison to guide and educate Service Providers on multifamily weatherization projects.

We also commend Minnesota for working to resolve issues that could cause a building to be deferred, such as dwelling deterioration, moisture damage or health and safety issues. We note that Minnesota has created partnerships to reduce the number of deferrals and has been successful in addressing vermiculite, the largest single cause of deferrals in Minnesota. Through funding from the State and utilities, Minnesota has established the Healthy AIR fund which Service Providers can access to address vermiculite remediation rather than defer homes.

Based on our experience and expertise, we offer five principal recommendations to Minnesota's Department of Commerce to help subgrantee agencies aggressively ramp up equitable multifamily housing weatherization. Detailed recommendations follow below.

1. Target multifamily buildings in historically underserved communities of color
2. Provide comprehensive Training & Technical Assistance in multifamily housing weatherization work and provide in-house multifamily energy audit approval
3. Streamline multifamily project client eligibility and energy auditing requirements
4. Eliminate/reduce the multifamily landlord contribution requirement
5. Proactively encourage subgrantee agencies to pursue fuel switching, to allow program participants the flexibility to choose beneficial electrification

1. Target multifamily buildings in historically underserved communities of color

A history of divestment in the housing infrastructure of communities of color has led to greater energy burdens and poor housing quality for Black, indigenous, and people of color (BIPOC). Temperatures in formerly redlined neighborhoods can be as much as seven degrees Celsius higher than non-redlined neighborhoods. This impacts the personal health and wellbeing of multifamily housing residents. Heat-related illnesses have increased across races as climate change intensifies, but the rate of increase is nearly three times higher for black and Hispanic households compared to white households.² According to the EPA, black households are 40 percent more likely to live in areas with the highest projected increases in premature mortality due to climate-driven changes in extreme temperatures.³ Weatherization improvements can reduce energy costs and indoor health hazards faced by communities of color.

We commend Minnesota for its proactive plan to address the program's historical gaps in serving disadvantaged BIPOC communities. We believe the equity and inclusion activities outlined in

² Nambi Ndugga and Samantha Artiga, "Extreme Heat and Racial Health Equity," Sep 08, 2021, <https://www.kff.org/policy-watch/extreme-heat-racial-health-equity/>

³ EPA. 2021. Climate Change and Social Vulnerability in the United States: A Focus on Six Impacts. U.S. Environmental Protection Agency, EPA 430-R-21-003. www.epa.gov/cira/social-vulnerability-report

Minnesota's planned *Framework for Effective Leveraging* will help Service Providers identify and increase multifamily weatherization projects in underserved communities. These activities include:

- Building out an Energy Equity Programs Team at the Department of Commerce, including a new Equity & Innovation Coordinator position, and having the WAP Director serve as the state's Energy Equity Programs supervisor.
- Offering workshops on equity topics, including expanding services to underserved clients, understanding the administration's [Justice40](#) initiative, tribal considerations, defining and reaching disadvantaged communities, and rural/remote populations.
- Working with Service Providers to develop a local plan that includes Place Based Implementation of WAP. This involves building community based trusted relationships and microtargeting weatherization outreach to address historically underserved areas or demographic groups. This approach has the advantage of lowering the overall cost of service through efficiencies of scale, where bulk buy and bundled services allow contractors to bid for a group of jobs.
- Developing data informed Equity Mapping or "WAPMap" to help identify geographic areas and populations that have historically been underserved by WAP.
- Developing a Client Education and Outreach Toolkit to both recruit historically underserved candidates and educate them about weatherization, energy conservation, and climate resiliency in their homes.

To help target multifamily buildings in low-income and historically underserved communities of color, we also encourage WAP staff to explore the following screening tools:

- The [Climate and Economic Justice Screening Tool \(CEJST\)](#) created by the federal Council on Environmental Quality to identify communities that are disadvantaged for the purposes of the Justice40 Initiative. Using U.S. Census tract data, the tool identifies communities marginalized, underserved, and overburdened by pollution.
- The [Environmental Justice Index \(EJI\)](#), released in partnership between the Centers for Disease Control and Prevention, the Agency for Toxic Substances and Disease Registry and the Department of Health and Human Services' Office of Environmental Justice. The EJI delivers a single score for each community so that public health officials can identify and map areas most at risk for the health impacts of environmental burdens.

2. Provide comprehensive Training & Technical Assistance in multifamily housing weatherization work and provide in-house multifamily energy audit approval

The DOE's BIL WAP application guidance and Program Notice encourages states to develop workforce development and training programs using Training & Technical Assistance (T&TA) funds. We recommend DOC use this moment to significantly ramp up comprehensive training in multifamily weatherization retrofit work for Service Providers. This would include energy modeling using multifamily auditing tools; evaluating and installing central HVAC and hot water equipment systems (especially advances in high efficiency electric heat pumps) and building envelope measures, as well as the administration, logistics and program management of multifamily weatherization projects.

We are encouraged to see that DOC will take the following steps to ramp up multifamily building weatherization trainings:

- Offering workshops on expanding services to renters and multifamily renters, partnering with HUD, NOAH properties and Minnesota Housing, and addressing barriers to reaching more renters.
- Offering additional multifamily Quality Control Inspector (QCI) training to account for increased staffing and multifamily project initiatives.
- Engaging a multifamily focused Technical Assistance Liaison to guide, educate and support Service Providers as they approach multifamily projects.

We are also encouraged by DOC's planned Training Pathways Initiative, which will build out distinct tracks for various positions within the Service Provider and Contractor network. The Pathways will lay out clear and distinct learning modules within proscribed timeframes intended to provide touchstones as new weatherization staff learn the aspects of their various roles.

Provide in-house multifamily energy audit approval: While DOE's [Regional Priority List](#) for Low-Rise Multifamily projects can be used to evaluate low-rise multifamily buildings, DOC should also drive more retrofits of larger multifamily buildings, which require full multifamily energy audits. To streamline approval of these audits, we recommend DOC's in-house multifamily focused Technical Assistance Liaison be certified in multifamily energy auditing (using NEAT, MulTEA, TREAT or an engineering assessment), who is then available to approve multifamily building audits. Having multifamily audits approved in-house will reduce the time and complexity of liaising with DOE to have these audits approved.

Workforce Development: BIL funding represents a chance for Minnesota to help address the clean energy industry's glaring equity and diversity issues. Nationally, black workers (8% of clean energy workers versus 13% of workers economy wide) and women (30% versus 48%) are drastically underrepresented in this growing and lucrative field.⁴ We support the Midwest Building Decarbonization Coalition (MWBDC's) workforce development recommendation to prioritize training of individuals historically under-represented in the weatherization fields. We encourage DOC to incentivize Service Providers to develop partnerships with local unions, community colleges, community-based organizations, and BIPOC-, women-, and veteran-owned or led businesses or organizations to deliver a high-quality workforce development program. Please see the MWBDC's detailed comments on this topic.

3. Streamline multifamily project client eligibility and energy auditing requirements

To streamline the complex process of establishing multifamily building eligibility, we are encouraged that Minnesota's DOC will take advantage of [WAP's expanded categorical eligibility](#) by using U.S. Department of Housing and Urban Development's (HUD's) means-tested program lists to qualify income eligibility of households in multifamily properties. These lists include:

- Housing owned and operated by Public Housing Authorities listed on HUD's [PHA contact page](#).
- Privately owned multifamily buildings receiving project-based assistance on the [WAP Assisted Multifamily Properties list](#).

⁴ *Clean Energy has a Diversity Problem*, E2, September, 2021. <https://e2.org/reports/diversity-in-clean-energy-2021/> Based on 2021 U.S. Energy and Employment Report (USEER), U.S. Department of Energy, <https://www.energy.gov/policy/us-energy-employment-jobs-report-useer>.

- Privately-owned multifamily buildings that house residents receiving tenant-based assistance (Section 8 vouchers) (verified by contacting property owners).

We further understand that DOC has streamlined the energy auditing process for Low-Rise multifamily buildings by adopting the [Regional Priority List](#) for Low-Rise Multifamily projects that allows energy audits to be conducted using a predefined Priority List when “similar dwelling units without unusual energy-consuming characteristics” exist.

4. Eliminate/reduce the multifamily landlord contribution requirement

We encourage Minnesota to eliminate or reduce the landlord contribution requirement for multifamily projects of 5+ units. Minnesota’s draft PY2022 WAP State Plan states that:

“Minnesota requires the property owner to financially contribute to the weatherization of a multifamily property with five+ dwelling units, except in cases where the property owner also qualifies for weatherization services. Service Providers have discretion in setting the level of contribution.”

We note that the landlord cost share requirement adds another layer of complexity and burden upon potential multifamily projects that discourages multifamily building owners from participating. While we understand the purpose of requiring landlord contributions is to help ensure that the benefits of weatherization will flow directly to low-income households, we observe that the requirement has the opposite effect for low-income families living in multifamily buildings, who are too often excluded from the benefits of WAP in Minnesota.

We recommend Minnesota explore the state of Missouri’s plan to eliminate the landlord cost share requirement for buildings with 5+ units that are government owned, owned by a non-profit entity, or receive HUD assistance. Income eligible multifamily buildings owned by for-profit entities have had their cost share requirement reduced from 25% to 20%. We encourage Minnesota look at this option for its WAP program. In cases where property owner contributions would be beneficial to buy down the Savings to Investment Ratio (SIR), DOC could make clear that property owners may choose to do this voluntarily.

5. Proactively encourage Service Providers to pursue fuel switching for beneficial electrification, to allow program participants the flexibility to choose beneficial electrification

The U.S. Department of Energy’s Program Notice for BIL WAP applications says that states are encouraged to utilize fuel-switching in WAP to achieve the Biden Administration’s goal of delivering more equitable clean energy. We are encouraged that since 2016, Minnesota has been approved to authorize fuel switching locally, rather than referring approval to DOE on a case-by-case basis. We urge DOC to ramp up beneficial electrification fuel switching projects in WAP through:

- a) Increased training and technical assistance (T&TA) targeting beneficial electrification strategies, and
- b) Coordination of WAP dollars with federal [Inflation Reduction Act \(IRA\) incentives](#) for high efficiency heat pump technologies.

Beneficial electrification is defined as replacing direct fossil fuel use (e.g., natural gas, propane, heating oil) with electricity in a way that reduces both emissions AND energy costs. Doing so will allow participants to reduce overall energy consumption while reducing the harmful effects of indoor and

outdoor air pollution caused by combustion appliances. The primary air pollutants produced by combustion are NO₂, PM_{2.5}, and CO, which [studies](#) have found contribute to poor indoor and outdoor air quality and a higher risk of heart and lung disease and premature mortality.

Further, failure to prioritize electrifying the homes of low-income households will create significant long-term financial risk for these households. Over the long term, utility customers who continue using natural gas are likely to experience rate increases from declining throughput, when other customers electrify and exit the gas system. There is a significant risk that low-income customers remaining in the natural gas system could bear the brunt of gas rate increases, leading to higher monthly bills. In Maryland, a study found that gas delivery rates could increase more than 20 times for consumers left on the gas system in a “high electrification” scenario.⁵

BIL WAP funding represents a prime opportunity for the state to ramp up beneficial electrification. Over the next five years, we expect market demand for high efficiency air source heat pumps and heat pump water heaters (HPWH) to increase, due to federal, state and utility incentives, increasing public awareness of the health and safety benefits of all electric households, and the need to reduce CO₂ emissions. We recommend DOC provide specific statewide opportunities to train Service Providers on the evaluation of buildings for potential fuel switching and installation of air source heat pumps and HPWH heaters. We also recommend DOC include the health benefits of fuel switching to electric systems in its formal Health and Safety training for energy auditors, quality control inspectors, and contractors.

To meet market demand, we recommend DOC coordinate opportunities to braid WAP funding with federal, state and utility incentives for high efficiency heat pumps—such as the recently passed [IRA’s HOMES Rebate Program and High Efficiency Electric Rebate Program](#) for low income households. Even before IRA funds kick in, Service Providers have the opportunity to get eligible homes ready for electrification with pre-electrification upgrades to the building envelope. They can also work to reduce clients’ energy usage and bills by replacing low efficiency electric resistance equipment with high efficiency heat pumps. Although these steps are not fuel switching, they will help Service Providers become more comfortable with advanced high efficiency equipment and pre-electrification needs.

We understand that DOC and Service Providers are cautious to implement electrification measures due to concerns surrounding potential negative energy burden impacts, cold climate equipment performance, and DOE cost-effectiveness restrictions related to health and safety. We echo the Midwest Building Decarbonization Coalition’s (MWBDC’s) comments that address and allay these concerns and encourage DOC to review the MWBDC’s letter on this topic.

Conclusion

The undersigned members of the Minnesota EEFA coalition thank DOC staff for their commitment to Minnesota’s low-income households as they lead this valuable weatherization work. To ramp up weatherization projects in Minnesota’s underserved multifamily households, multifamily specific training, streamlining of regulatory requirements, elimination of the landlord cost share requirement and

⁵ Montgomery County, MD Council, “Economic Impact Statement: Bill 44-21, Montgomery County Green Bank – Funding – Fuel Energy Tax Revenue, 2020, <https://www.montgomerycountymd.gov/OLO/Resources/Files/eis/2021/EIS-Bill44-21.pdf>.



flexibility to allow fuel switching are the key to ensuring all of Minnesota's citizens have affordable, healthy and energy efficient homes.

Sincerely,

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