

**Final Determination
2009 International Energy Conservation Code (IECC)/ASHRAE 90.1-2007
Background for Stakeholders**

DRAFT - April 30, 2015

- This Notice fulfills a statutory requirement under the Energy Independence and Security Act of 2007 (EISA) that requires HUD and USDA to jointly adopt the most recently-published energy codes subject to a cost-benefit housing “affordability and availability” test.
- The Notice, while an incremental step forward, is an important part of our efforts to improve the efficiency of our single family and multifamily portfolios, and helps fulfill the President’s Climate Action Plan goal of cutting energy waste in the residential sector
- This Notice is a final determination that the **2009 IECC (single family) and ASHRAE 90.1-2007 (multifamily)** will not negatively impact the affordability or availability of housing covered by the Act, and will therefore be adopted as threshold energy efficiency standards by HUD and USDA.
- This Notice has cleared the Department twice - a Preliminary Determination cleared the department in July 2012, was published for Public Comment in April 2014, and this Final Determination cleared the department in August 2014. OMB approved the Notice in January, 2015.
- The Notice applies to **new construction only** and while it applies nationally, most states have already adopted these standards. It will therefore directly impact a minority of states that have not yet adopted these standards - **16 states** for the 2009 IECC and **12 states** for ASHRAE 90.1-2007. The impacted states are noted below.

States Potentially Impacted by the HUD-USDA Energy Codes Notice	
Have not yet adopted the 2009 IECC – Single Family (16 states)	Have not yet adopted ASHRAE 90.1-2007 - Multifamily (12 states)
Alaska	Alaska
Arkansas	
Arizona	Arizona ⁱ
Colorado	Colorado ⁱⁱ
Hawaii	Hawaii ⁱⁱⁱ
Kansas	Kansas
Maine	Maine ^{iv}
Minnesota	Minnesota
Missouri	Missouri
Oklahoma	Oklahoma
South Dakota	South Dakota
Tennessee	Tennessee
Wyoming	Wyoming
Mississippi	
Utah	
Wisconsin	

Covered Programs

- Programs that are specifically impacted by this Notice are (1) FHA-insured single family programs; (2) FHA-insured multifamily programs and (3) the HOME program (4) USDA Section 502 Guaranteed home loans.
- Excluded from the standards set in this Notice are:
 - Programs that have already adopted codes or energy standards via NOFA or regulation that meet or exceed these standards (e.g. Public Housing Capital Fund, Section 811 Supportive Housing, Choice Neighborhoods);
 - Programs not specified in the EISA statute (e.g. CDBG, Indian Housing programs, Housing Choice Vouchers).
- These standards are important, but these codes set a floor, not a ceiling for several HUD programs. For several competitive programs, we have set Energy Star for New Homes (or Energy Star for Multifamily High Rise) as the minimum threshold for new housing financed through those programs. Any unit built to Energy Star, Enterprise Green Communities, LEED or the performance path of the National Green Building Standard is automatically in compliance.

Potential Impacts

- Using 2011 as the benchmark, we estimate that **3,200 multifamily units** and **15,000 single family units per year** may potentially be impacted in the 16 states that have not yet adopted these codes.
- These codes are very cost effective. In the 16 states that haven't adopted the IECC for single family homes, the average incremental cost of going to the higher standard is \$1,019 per unit, with average annual savings of \$215, for a 5-year payback and a 1.3 year net positive cash flow.
- Paybacks for the ASHRAE codes are slightly longer, ranging from a low of 4.2 years in Kansas to a high of 15.1 years in Hawaii. Initial costs per unit range from \$309 in Oklahoma to \$489 in Alaska.
- Up-front annual costs are estimated at \$16.1 million, with annual energy cost savings of \$3.1 million, yielding a simple payback of 5.2 years. Over 10 years, we estimate the present value of these cost savings at \$27 million, for a net present value (after initial costs) of \$10.9 million over 10 years.

Implementation -

- **HOME Program:**
 - Effective: TBD
- **FHA Single Family**
 - Effective Date: Building permits issued 7 months after Federal Register publication

- **FHA Multifamily:**
 - Effective Date: Pre-applications for MF insurance submitted 4 months after Federal Register publication

- **USDA Guaranteed Loans:**
 - Effective Date: Building permits issued 7 months after Federal Register publication

ⁱ Due to local adoption of these codes, as much as 70 % of new construction in Arizona assumed to already comply with these codes.

ⁱⁱ Due to local adoption, as much as 90% of new construction assumed to already comply with these codes.

ⁱⁱⁱ These codes proposed but not yet formally adopted by Hawaii.

^{iv} These codes adopted in Maine but municipalities with fewer than 4,000 residents exempted.