

A-Engrossed
House Bill 4121

Ordered by the House February 15
Including House Amendments dated February 15

Sponsored by Representative MARSH; Representatives FAHEY, HELM, KENY-GUYER, NOBLE, OLSON, POST, SANCHEZ, SMITH DB, Senator BOQUIST (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires Housing and Community Services Department to establish and administer program that provides incentive payments to construction contractors undertaking energy improvement projects on residential structures and provides grants for energy improvement projects for manufactured dwellings. Requires that contractors use incentive payments to reduce amounts paid by property owners for projects. Reserves portions of program moneys for activities promoting healthy affordable housing environments and for grants relating to manufactured dwellings owned and occupied by persons having low income or very low income. Limits program expenditures for biennium ending June 30, 2019. Sunsets program January 2, 2022.

Requires sustainable energy project manager to refer applicant for small scale energy loan to department if applicant has income qualifying applicant for department weatherization program.

Authorizes department to enter into agreements with other units of state government to facilitate department administration of home weatherization programs for persons with low income or very low income.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to Housing and Community Services Department programs; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. The Legislative Assembly declares that the purposes of sections 1 to 6 of this**
5 **2018 Act are:**

6 **(1) The protection of jobs and the state's strategic capacity in the residential energy ef-**
7 **iciency and solar industries;**

8 **(2) Enabling broad, equitable access to energy improvement projects; and**

9 **(3) Improving healthiness, safety and energy efficiency in affordable housing.**

10 **SECTION 1a. As used in sections 1 to 6 of this 2018 Act:**

11 **(1) "Construction contractor" means a person holding a valid license endorsement listed**
12 **under ORS 701.021 (2)(a) to (c) and holding any additional license, certificate, qualification**
13 **or endorsement required by the Construction Contractors Board to provide the services**
14 **rendered.**

15 **(2)(a) "Energy improvement project" means construction, reconstruction, alteration or**
16 **repair that:**

17 **(A) Reduces the energy requirements of a residential structure through energy conser-**
18 **vation, weatherization improvements or increased energy efficiency;**

19 **(B) Replaces, or extends the economic life of, a manufactured dwelling or makes im-**
20 **provements to the water or sewer systems serving the manufactured dwelling, as provided**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 under section 6 of this 2018 Act;

2 (C) Generates energy for a residential structure through solar technology; or

3 (D) Creates all or part of a solar technology system serving a community.

4 (b) "Energy improvement project" does not include a project related to:

5 (A) Ground-source heat pumps;

6 (B) Swimming pool heating; or

7 (C) Hot tubs or spas.

8 (3) "Low income" and "very low income" have the meanings given those terms in ORS
9 458.610.

10 (4) "Median income" means the median family income for an area, subject to adjustment
11 for areas having unusually high or low incomes or housing costs, all as determined by the
12 Oregon Housing Stability Council based on information from the United States Department
13 of Housing and Urban Development.

14 (5) "Residential structure" has the meaning given that term in ORS 701.005.

15 **SECTION 2.** (1) The Housing and Community Services Department shall establish and
16 administer a program that:

17 (a) Provides incentive payments under this section to construction contractors under-
18 taking energy improvement projects;

19 (b) Provides funding for activities described in section 5 (2) of this 2018 Act; and

20 (c) Provides grants for energy improvement projects under section 6 of this 2018 Act.

21 (2) The department shall determine the incentive payment for an energy improvement
22 project under this section by multiplying a payment rate by the number of units of increased
23 energy efficiency or energy generation resulting from the project. For an improvement
24 project that reduces electrical energy requirements, the units of increased energy efficiency
25 shall be determined based on the projected reduction in electrical energy requirements
26 measured in kilowatt-hours. For an improvement project that reduces natural gas energy
27 requirements, the units of increased energy efficiency shall be determined based on the
28 projected reduction in natural gas energy requirements measured in therms. For an im-
29 provement project that reduces wood or oil energy requirements, the units of increased en-
30 ergy efficiency shall be determined based on the projected reduction in wood or oil energy
31 requirements measured in millions of British thermal units (MMBTU). For an improvement
32 project that generates energy for a residential structure through solar technology or creates
33 all or part of a solar technology system serving a community, the units of increased energy
34 generation shall be determined based on the amount of energy projected to be generated,
35 expressed in kilowatt-hours.

36 (3) The department shall establish payment rate schedules by rule. The department shall
37 conduct a biennial review to determine whether payment rate schedules should be modified.
38 The department shall adopt payment rate schedules that provide higher payment rates for
39 energy improvement projects on properties owned or occupied by persons or families of me-
40 dian income, low income or very low income. If the property owner had an adjusted gross
41 income for federal tax purposes during the most recently completed tax year of \$187,000 or
42 more, the department may not make any payment for an energy improvement project unless
43 the owner is a nonprofit organization or the property is affordable housing, as defined by the
44 department. The department shall condition incentive payments upon the property owner
45 verifying by affidavit or other documentation that the adjusted gross income of the property

1 owner in the most recently completed tax year was less than \$187,000.

2 (4) The department shall develop and make available means for a construction contractor
3 to readily estimate the reduced energy requirements or amount of energy generation that
4 may be expected to result from an energy improvement project and estimate the corre-
5 sponding incentive payment. The contractor may monthly submit information to the de-
6 partment that includes a listing of incentive payment estimates for one or more
7 improvement projects the contractor intends to carry out. The information must be sub-
8 mitted in a form and manner acceptable to the department. The contractor shall include the
9 amount of the estimated incentive payment for an improvement project as a line item on a
10 written contract for the improvement project. The contractor shall apply the full estimated
11 incentive payment amount to reduce the amount that would otherwise be owed by the prop-
12 erty owner under the contract.

13 (5) Except as otherwise provided in this subsection, upon receipt of a form from a con-
14 struction contractor under subsection (4) of this section, the department shall reserve
15 moneys for later disbursement as an incentive payment to the contractor for each qualifying
16 energy improvement project listed on the form. The department may not reserve moneys for
17 an incentive payment for an improvement project if the estimated incentive payment is less
18 than \$250. The department shall remove the moneys for an incentive payment for an im-
19 provement project from reserve if the department does not receive proof, on or before the
20 210th day after receiving information for the project under subsection (4) of this section, that
21 the improvement project has been completed. An incentive payment for which moneys are
22 reserved is owed by the department upon timely receipt of proof acceptable to the depart-
23 ment that the contractor has completed the improvement project. Incentive payments for
24 which moneys are not in reserve are contingent on the availability of funds and are inferior
25 in priority to any incentive payments for which moneys are in reserve. If the department
26 denies all or part of an incentive payment due to the lack of available funds, the contractor
27 may not recover the denied portion of the incentive payment from the property owner.

28 (6)(a) To the extent that the annual budget for the program does not permit the full
29 implementation of the program, the department may revise the program consistent with the
30 purposes of this 2018 Act to emphasize:

31 (A) Continuing state engagement in providing customer support for the energy improve-
32 ment projects;

33 (B) Signaling that the energy improvement projects are beneficial to both residents and
34 their communities; and

35 (C) Maintaining a program framework that may be expanded upon receipt of additional
36 funding.

37 (b) In revising the program under this subsection, the department shall ensure the fol-
38 lowing program principles are maintained:

39 (A) The program is available to properties statewide;

40 (B) All construction contractors have access to the program;

41 (C) The program is accessible to property owners across a wide range of income levels;
42 and

43 (D) For affordable housing, the program emphasizes assistance with health-related
44 measures, critical repairs and livability improvements.

45 (e) In revising the program under this subsection, the department may consider adjusting

1 any parameters in the program, including the following:

2 (A) Reducing the target average percentage of funded project costs;

3 (B) Reducing any project incentive cap;

4 (C) Allowing properties to receive solar or energy efficiency program funds, but not both;

5 (D) Providing differing targets, caps or eligibility for the benefit of lower income property
6 owners; or

7 (E) Providing a list of preapproved maximum allowable program costs for certain energy
8 improvement projects.

9 **SECTION 3.** (1) Except as provided in sections 4 and 6 of this 2018 Act, the amount paid
10 from the program described in section 2 of this 2018 Act during a calendar year for energy
11 improvement projects:

12 (a) For a single-family residence may not exceed \$4,500; and

13 (b) For a multifamily residential structure may not exceed \$4,500 for a dwelling unit or
14 \$45,000 total for the structure.

15 (2) The Housing and Community Services Department may make incentive payments
16 under section 2 of this 2018 Act for an energy improvement project for a rental dwelling unit
17 only if the landlord presents proof acceptable to the department that the residential struc-
18 ture is affordable housing, as defined by the department, or is owned by a nonprofit organ-
19 ization.

20 **SECTION 4.** (1) The amount paid from the program described in section 2 of this 2018
21 Act for an energy improvement project that generates energy for a residential structure
22 through solar technology or creates all or part of a solar technology system serving a com-
23 munity may not, for a single-family residence or a dwelling unit in a multifamily residential
24 structure, exceed:

25 (a) \$4,500 during the 2018 calendar year;

26 (b) \$3,000 during the 2019 calendar year;

27 (c) \$2,000 during the 2020 calendar year; or

28 (d) \$2,000 during the 2021 calendar year.

29 (2) The amount paid from the program described in section 2 of this 2018 Act for solar
30 technology systems serving a community:

31 (a) May not exceed five percent of the amount available for payment under the program;

32 (b) May be provided only for the benefit of low income or very low income occupants; and

33 (c) May not be used on solar technology systems with a generating capacity above 300
34 kilowatts.

35 **SECTION 5.** (1) As used in this section, “affordable housing” includes, but is not limited
36 to, a residential structure owned and occupied by persons having low income or very low
37 income.

38 (2) The Housing and Community Services Department shall annually allocate at least 25
39 percent of the amount available for payment under the program described in section 2 (1)
40 of this 2018 Act for the purposes of maximizing energy efficiency in affordable housing, direct
41 installation of weatherization and solar technology in affordable housing, extending the usa-
42 ble life of affordable housing and improving the health and safety of occupants of affordable
43 housing.

44 (3) The department may expend up to 90 percent of the moneys allocated under sub-
45 section (2) of this section to:

1 (a) Develop improved methods for evaluating health hazards in affordable housing;

2 (b) Develop improved methods for preventing or reducing health hazards in affordable
3 housing;

4 (c) Support the development of objective standards for identifying healthy affordable
5 housing environments;

6 (d) Evaluate the long-term cost effectiveness of activities described in paragraphs (a) to
7 (c) of this subsection; and

8 (e) Promote the incorporation of methods and standards for the development of healthy
9 affordable housing environments into ongoing practices and systems, including, but not lim-
10 ited to, practices and systems regarding fitness for habitation, construction, rehabilitation
11 and maintenance of affordable housing.

12 **SECTION 6. (1) Not less than 10 percent of the moneys that the Housing and Community**
13 **Services Department allocates under section 5 of this 2018 Act shall be expended in the form**
14 **of grants to replace, or extend the economic lives of, manufactured dwellings owned and**
15 **occupied by persons of low income or very low income or to improve water or sewer systems**
16 **servicing manufactured dwellings owned and occupied by persons of low income or very low**
17 **income. The department shall give grant preference to an energy improvement project re-**
18 **garding a manufactured dwelling that:**

19 (a) Was constructed prior to June 15, 1976; or

20 (b) Was constructed on or after June 15, 1976, and prior to October 1, 1988, and is de-
21 termined by the department to be in serious disrepair.

22 (2) An existing or replacement manufactured dwelling for which a grant is issued under
23 this section must:

24 (a) Be permanently installed at a site in accordance with federal Manufactured Home
25 Construction and Safety Standards (24 C.F.R. 3280);

26 (b) Unless subject to a rule described in subsection (5) of this section, be located in a
27 manufactured dwelling park that is listed in the department's affordable housing portfolio
28 and is in good standing with the department; and

29 (c) Be owned by:

30 (A) A nonprofit organization;

31 (B) An entity having a nonprofit organization as its sole member;

32 (C) A public body as defined in ORS 174.109;

33 (D) An entity having a public body as its sole member; or

34 (E) An individual.

35 (3) If the energy improvement project involves the replacement of a manufactured
36 dwelling:

37 (a) The replacement dwelling must meet or exceed the NEEM 1.0 and NEEM 2.0 energy
38 efficiency specification established under the Northwest Energy Efficient Manufactured
39 Home Program;

40 (b) The water and sewer systems servicing the dwelling must be in serviceable condition
41 or be improved in conjunction with the dwelling replacement; and

42 (c) The moneys from a grant under this section may be expended for any purpose that
43 is related to the replacement of the dwelling, including, but not limited to, the removal and
44 deconstruction of the replaced dwelling and the purchase and installation of the replacement
45 dwelling.

1 (4) If the energy improvement project does not involve the replacement of a manufac-
2 tured dwelling:

3 (a) The water and sewer systems serving the dwelling must be in serviceable condition
4 or be improved in conjunction with the improvement project;

5 (b) The manufactured dwelling must have at least 15 years of economic life remaining
6 immediately prior to the improvement project; and

7 (c) The savings resulting from reduced energy requirements and other benefits of the
8 improvement project must exceed the cost of the improvement project.

9 (5) The department shall adopt rules establishing limits on grants for energy improve-
10 ment projects under this section. The department shall identify reasonable provisions for
11 inclusion in department rules regarding grants for improvement projects for manufactured
12 dwellings that are sited on property having common ownership with the dwelling.

13 SECTION 7. The amount of \$_____ is established for the biennium ending June 30, 2019,
14 as the maximum limit for payment of expenses by the Housing and Community Services
15 Department to carry out the program described in section 2 (1) of this 2018 Act from any
16 moneys appropriated or otherwise provided for purposes of the program.

17 SECTION 8. The Housing and Community Services Department may enter into intera-
18 gency agreements with other units of state government, as defined in ORS 174.111, for the
19 purpose of facilitating the carrying out of department programs that provide home
20 weatherization assistance.

21 SECTION 9. Section 10 of this 2018 Act is added to and made a part of ORS chapter 470.

22 SECTION 10. The program described in section 2 of this 2018 Act is a weatherization
23 program for purposes of referral to the Housing and Community Services Department under
24 ORS 470.650.

25 SECTION 11. (1) Sections 1, 2, 3, 4, 5 and 6 of this 2018 Act are repealed January 2, 2022.

26 (2) Notwithstanding subsection (1) of this section, if the Housing and Community Services
27 Department reserves moneys under section 2 of this 2018 Act on or before December 31, 2021,
28 for the purpose of making an incentive payment to a construction contractor, the depart-
29 ment may make the incentive payment if the department receives proof, not later than the
30 210th day after the department receives the monthly form under section 2 (4) of this 2018
31 Act listing the energy improvement project, that the contractor has completed the project.

32 SECTION 12. This 2018 Act being necessary for the immediate preservation of the public
33 peace, health and safety, an emergency is declared to exist, and this 2018 Act takes effect
34 on its passage.