

Attachment 4

Insert before the last paragraph on page XI-35

While public and private entities have been increasingly using green building practices in institutional, commercial, and market-rate residential buildings, these practices have not been used in a significant number of government assisted housing projects. Recent studies have shown that the use of green building practices in commercial and institutional buildings results in a modest initial cost premium, about 2 to 3 percent on average, but that the long-term benefits far exceed the incremental capital costs. A 2005 study conducted by New Ecology, Inc., a nonprofit organization that promotes sustainable development, evaluated the costs and benefits of applying green building practices to government assisted housing.¹ For the 16 government assisted housing projects studied, the use of green building practices resulted in an average cost premium of 2.4 percent of total development costs and a median cost premium of 2.9 percent. In most cases the reduced operating costs over the life of the buildings more than paid for the initial cost premium. However, the current system for financing government assisted housing makes the use of green building practices difficult because of its emphasis on initial development costs rather than life-cycle costs. Generally, government assisted housing funding is allocated to projects that build the most units at the lowest initial cost. Additionally, residents and homeowners typically pay for little or none of the initial cost increase and receive most of the benefits from reduced operating costs while developers pay for most of the initial cost increases and receive minimal benefits. The developer may demand a higher sales price or rent for green construction in market-rate housing; however, this may decrease initial affordability to lower- and moderate-income households. In addition to the incentives discussed previously in this section, government assisted green housing may require a direct, up-front subsidy in order for the developer to recoup these costs.

00200463-1 RHP AC Minutes - Mtg 15 – 11/30/11 Attachment 4

¹The Costs and Benefits of Green Affordable Housing, *New Ecology, Inc. and the Tellus Institute, 2005.*