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(Original Signature of Member)

113TH CONGRESS  
2D SESSION

# H. R.

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To authorize the Secretary of Housing and Urban Development to carry out a demonstration program to enter into budget-neutral, performance-based contracts for energy and water conservation improvements for multifamily residential units

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## IN THE HOUSE OF REPRESENTATIVES

Mr. Ross introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To authorize the Secretary of Housing and Urban Development to carry out a demonstration program to enter into budget-neutral, performance-based contracts for energy and water conservation improvements for multifamily residential units

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Pay For Success Af-  
5 fordable Housing Energy Modernization Act of 2014”.

1 **SEC. 2. BUDGET-NEUTRAL DEMONSTRATION PROGRAM**  
2 **FOR ENERGY AND WATER CONSERVATION IM-**  
3 **PROVEMENTS AT MULTIFAMILY RESIDEN-**  
4 **TIAL UNITS.**

5 (a) ESTABLISHMENT.—The Secretary of Housing  
6 and Urban Development (referred to in this section as the  
7 “Secretary”) shall establish a demonstration program  
8 under which, during the period beginning on the date of  
9 enactment of this Act, and ending on September 30, 2017,  
10 the Secretary may enter into budget-neutral, performance-  
11 based agreements that result in a reduction in energy or  
12 water costs with such entities as the Secretary determines  
13 to be appropriate under which the entities shall carry out  
14 projects for energy or water conservation improvements at  
15 not more than 20,000 residential units in multifamily  
16 buildings participating in—

17 (1) the project-based rental assistance program  
18 under section 8 of the United States Housing Act of  
19 1937 (42 U.S.C. 1437f), other than assistance pro-  
20 vided under section 8(o) of that Act;

21 (2) the supportive housing for the elderly pro-  
22 gram under section 202 of the Housing Act of 1959  
23 (12 U.S.C. 1701q); or

24 (3) the supportive housing for persons with dis-  
25 abilities program under section 811(d)(2) of the

1 Cranston-Gonzalez National Affordable Housing Act  
2 (42 U.S.C. 8013(d)(2)).

3 (b) REQUIREMENTS.—

4 (1) PAYMENTS CONTINGENT ON SAVINGS.—

5 (A) IN GENERAL.—The Secretary shall  
6 provide to an entity a payment under an agree-  
7 ment under this section only during applicable  
8 years for which an energy or water cost savings  
9 is achieved with respect to the applicable multi-  
10 family portfolio of properties, as determined by  
11 the Secretary, in accordance with subparagraph  
12 (B).

13 (B) PAYMENT METHODOLOGY.—

14 (i) IN GENERAL.—Each agreement  
15 under this section shall include a pay-for-  
16 success provision—

17 (I) that will serve as a payment  
18 threshold for the term of the agree-  
19 ment; and

20 (II) pursuant to which the De-  
21 partment of Housing and Urban De-  
22 velopment shall share a percentage of  
23 the savings at a level determined by  
24 the Secretary that is sufficient to

1 cover the administrative costs of car-  
2 rying out this section.

3 (ii) LIMITATIONS.—A payment made  
4 by the Secretary under an agreement  
5 under this section shall—

6 (I) be contingent on documented  
7 utility savings; and

8 (II) not exceed the utility savings  
9 achieved by the date of the payment,  
10 and not previously paid, as a result of  
11 the improvements made under the  
12 agreement.

13 (C) THIRD-PARTY VERIFICATION.—Savings  
14 payments made by the Secretary under this sec-  
15 tion shall be based on a measurement and  
16 verification protocol that includes at least—

17 (i) establishment of a weather-normal-  
18 ized and occupancy-normalized utility con-  
19 sumption baseline established pre-retrofit;

20 (ii) annual third-party confirmation of  
21 actual utility consumption and cost for  
22 owner-paid utilities;

23 (iii) annual third-party validation of  
24 the tenant utility allowances in effect dur-

1                   ing the applicable year and vacancy rates  
2                   for each unit type; and

3                   (iv) annual third-party determination  
4                   of savings to the Secretary.

5                   (2) TERM.—The term of an agreement under  
6                   this section shall be not longer than 12 years.

7                   (3) ENTITY ELIGIBILITY.—The Secretary  
8                   shall—

9                   (A) establish a competitive process for en-  
10                  tering into agreements under this section; and

11                  (B) enter into such agreements only with  
12                  entities that demonstrate significant experience  
13                  relating to—

14                  (i) financing and operating properties  
15                  receiving assistance under a program de-  
16                  scribed in subsection (a);

17                  (ii) oversight of energy and water con-  
18                  servation programs, including oversight of  
19                  contractors; and

20                  (iii) raising capital for energy and  
21                  water conservation improvements from  
22                  charitable organizations or private inves-  
23                  tors.

24                  (4) GEOGRAPHICAL DIVERSITY.—Each agree-  
25                  ment entered into under this section shall provide

1 for the inclusion of properties with the greatest fea-  
2 sible regional and State variance.

3 (c) PLAN AND REPORTS.—

4 (1) PLAN.—Not later than 90 days after the  
5 date of enactment of this Act, the Secretary shall  
6 submit to the Committees on Appropriations of the  
7 House of Representatives and the Senate a detailed  
8 plan for the implementation of this section.

9 (2) REPORTS.—Not later than 1 year after the  
10 date of enactment of this Act, and annually there-  
11 after, the Secretary shall—

12 (A) conduct an evaluation of the program  
13 under this section; and

14 (B) submit to Congress a report describing  
15 each evaluation conducted under subparagraph

16 (A).

17 (d) FUNDING.—For each fiscal year during which an  
18 agreement under this section is in effect, the Secretary  
19 may use to carry out this section any funds appropriated  
20 to the Secretary for the renewal of contracts under a pro-  
21 gram described in subsection (a).