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Community Planning and Development

# NSP Policy Alert!

## Guidance on NSP-Eligible Appliance Purchases

Some Neighborhood Stabilization Program (NSP) grantees have requested approval to use NSP funds to purchase high-efficiency clothes washers and dryers, and dishwashers, in NSP-assisted housing units that are being acquired, rehabilitated, and resold to income eligible beneficiaries. While the NSP October 6, 2008 Federal Register Notice encourages energy efficiency and notes the water savings and cost savings to low-, moderate-, or middle-income (LMMI) households participating in the program, it does not specify whether or not NSP funds can be used for this purpose.

### Previous Policy

CDBG policy has heretofore guided NSP's treatment of appliances. This has limited use to stoves, refrigerators, and central air conditioning, where appropriate. CDBG has not allowed dishwashers, nor clothes washers and dryers. This policy was based on the concept that only appliances necessary to make the house functional should be allowed. The CDBG regulations at 24 CFR 570.207 (b)(1)(iii) generally prohibit the purchase of equipment that is not an "integral structural fixture". Prior programs also tended to support improvements that are part of the real property, but not personal property.

However, the language in the CDBG regulations on Rehabilitation, at 24 CFR 570.202(b)(4) and (5), does provide for "improvements to increase the efficient use of energy...and water". The examples cited include equipment, some of which is not a permanent part of the real estate. In addition, the NSP Notice reinforces the Department's interest in promoting energy conservation. The NSP Rehabilitation Standards, in Section (I), state that "Any rehabilitation of a foreclosed home under this section...may include improvements to increase the energy efficiency of such homes or properties."

The Office of Block Grant Assistance has also conferred with the Office of Affordable Housing. That office permits installation of washers and dryers through the HOME Program, in both ownership and rental programs. HOME Program guidance says: "Suitable amenities may differ somewhat by locality. However, amenities in HOME-assisted housing should be comparable to amenities in the area's unassisted housing as long as they do not constitute luxury items. HOME-assisted housing may include non-luxury amenities such as washer/dryer, dishwasher, and air conditioner."

Washers and dryers are commonly installed in affordable and starter homes that are not subsidized, as well. If it conforms with the local housing market demands, then it is logical to install clothes washers and dryers to improve the quality, habitability and marketability of NSP-rehabilitated or constructed homes for sale.

## New Policy

Therefore, in consideration of the changes in the marketplace and in applicable regulations, the Department is allowing the use of certain appliances in the NSP Program. This policy permits grantees to install energy efficient (compliant with Energy Star standards) clothes washers, dryers, and dishwashers when done in conjunction with housing rehabilitation and/or sale projects in the NSP program.

Clothes washers, dryers and dishwashers are permitted in the NSP1 and NSP2 when all of the following conditions are met:

- NSP funds have rehabilitated or constructed the homes;
- Installation of such appliances is comparable to unassisted homes in the local housing market (see HOME Program standards);
- Deed restrictions or covenants ensure that the appliances remain in the home, if appropriate; and
- Qualifying appliances meet or exceed Energy Star standards.

## Additional Guidance

The Department strongly recommends the use of high-efficiency appliances. High-efficiency models (above Energy Star) provide the following benefits:

- Washers save 7,000 gallons of Water per year and use 50% less energy and detergent;
- Dryers use 58 percent less energy; both produce longer clothes life;
- Home installation reduces the costs of Laundromats on LMMI occupants.

High-efficiency appliances meet the following standards:

- Clothes washers
  - CEE Tier 2 or higher
  - Minimum Energy Factor or 2.0 or greater
  - Water Factor 6.0 or less
- Clothes dryers
  - Minimum 7.0 cubic feet capacity - Shortens drying time due to maximizing air flow
  - Sensor Dry System – Measures moisture in drum, then automatically adjusts drying time and temperature.
  - Five Temperature Levels – High, Medium High, Medium, Low & Ultra Low
- Dishwashers
  - CEE Tier 2
  - Minimum Energy Factor of 0.68 or greater
  - Maximum annual energy use of 325 kilowatt-hours or less