

POLICY BRIEF

LOW-INCOME MULTIFAMILY ENERGY SAVINGS RETROFITS

Solutions to Increase Access to Incentives and Unlock Benefits

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California is leading the nation in climate goals. State law calls for a 40% reduction in greenhouse gas emissions below 1990 levels by 2030, and former Governor Brown's recent Executive Order calls for statewide carbon neutrality by 2045. To achieve these ambitious goals, the state has enacted a suite of policies – including SB 350 (de León, 2015), which requires California to double energy efficiency savings statewide by 2030.

Improving the energy performance of existing buildings will be key to achieving statewide efficiency goals. Existing residential buildings pose a particular challenge: they account for over 10 percent of statewide greenhouse gas emissions, and over half of them were built prior to the introduction of statewide efficiency standards in 1978.

Low-income, multifamily buildings face the greatest challenges to achieve these needed gains. Residents and owners of these low-income properties face difficult access to capital, complex financing arrangements, and competing renovation needs. At the same time, individuals in multifamily buildings also experience a “split

incentive” problem that limits owners' financial interest in upgrades that primarily reduce residents' utility bills.

To address these challenges, California's legislature, energy regulators, and electric and gas utilities fund and operate a number of incentive and rebate programs, such as the Energy Savings Assistance Program and the Low-Income Weatherization Program. But progress has been hampered by structural barriers as well as limitations in some programs such as strict income qualification criteria, energy data opacity, and the complexity of combining multiple incentives into one project.

UC Berkeley and UCLA Schools of Law, in coordination with the California Energy Commission and with support from Bank of America, conducted two stakeholder convenings to identify policy solutions to address these barriers, increase access to energy efficiency incentives, and unlock environmental, financial, and quality-of-life benefits for owners and residents alike. This policy brief summarizes the top findings, in advance of a coming full-length report.

Barrier 1: Lack of Program Coordination Creates Complexity for End Users

The lack of coordination among various state and utility financing programs and incentives—resulting in inefficiency and complexity for residents and owners contemplating retrofits—may be the single greatest barrier to more uptake of available resources. While an impressive range of financing and incentives is currently available in California, determining if an applicant is eligible, and if those funds will render a project economical, can be prohibitively time- and resource-intensive. This is especially true for smaller owners and developers, which often do not have energy-focused staff.

Solution: The Legislature or Public Utilities Commission (PUC) could create a single, statewide “one-stop shop” efficiency program administrator

- A “one-stop shop” for users to obtain information about available programs, determine applicability, submit all filings, manage participation, and receive technical assistance could greatly increase uptake of retrofit financing.
- Legislation could integrate the programs this entity would administer, including Low-Income Weatherization Program (LIWP), Energy Savings Assistance Program (ESA) and Low Income Home Energy Assistance Program (LIHEAP), and provide funding for new staff and

administration. Alternatively, the PUC could direct ESA to be run comprehensively by a third-party coordinator that handles common area and in-unit retrofits together.

- **Example:** *The Energy Trust of Oregon, a utility charge-funded nonprofit created by statute to streamline access to efficiency programs. The trust provides a complete informational resource, including free building walkthroughs to identify potential savings and contacts with licensed contractors. The trust also offers an easily digestible survey of all state incentives. A new California program could present seamless options to owners while coordinating budgets behind the scenes and offering engineering and financial technical assistance.*



Solution: Utilities and state energy regulators could enable greater access to on-bill financing and on-bill repayment arrangements.

- On-bill financing/repayment allows deep-pocketed utility or financial entities to pay the immediate costs of new equipment and work that a customer cannot afford, repaid on the customer's bill.
- This tool can increase uptake of efficiency measures in the low-income multifamily context by reducing financial burdens for customers and providing security for lenders, paired with strong consumer protections.
- **Example:** PG&E's multifamily on-bill financing program, begun in September 2017. The program currently has limited eligibility criteria, but could be expanded to increase the payback period and funding limit. The state legislature could also enact clarifying legislation to exempt on-bill financing from strict banking and lending regulations, or create incentives for lenders to expand on-bill repayment, with adequate consumer protections.

Barrier 2: Lack of Reliable, Long-Term Public Funding Inhibits Market Transformation

The robust incentives offered under existing state programs are hampered by the short-term nature of their underlying funding. Depending on the program, legislative or commission reauthorization is required every few years, limiting property owners' ability to rely on the availability of incentives as they plan refinancings and renovations in five- and ten-year increments, particularly for larger developers. Increased, long-term funding is needed for programs to flourish.

Solution: The Legislature could create a long-term fund to support the one-stop shop Administrator and subsidize advanced efficiency measures.

- A long-term funding source would allow owner/developers to plan efficiency projects in line with their long-term obligations, minimizing financial risk and maximizing ability to incorporate costlier upgrades.
- **Example:** The California Solar Initiative, which provided billions of dollars in subsidies for solar panel installation over a ten-year period, driving up demand and driving down production costs.



Barrier 3: Lack of Confidence in Savings and Non-Energy Benefits Limits Investment

Low-income multifamily property owners often lack sufficient data on building energy use and needs to determine the savings they can generate through an efficiency retrofit. Utilities and state program administrators may have minimal insight into individual property financing requirements, limiting their ability to target resources most effectively. The result is under-implementation of efficiency measures that would generate financial savings and emissions reductions.

Solution: The California Energy Commission and Public Utilities Commission could update building energy metrics to reflect fuel- and carbon-neutrality, facilitate health and safety improvements, and increase savings.

- State building energy efficiency standards can prevent owners from adding new electrical capacity to an existing building as part of a retrofit, even when it replaces more carbon-intensive natural gas systems or tenants' inefficient plug-in heating and cooling units. Owners may also be unable to implement essential health- and safety-related measures that do not directly reduce energy use but should be bundled in larger projects.
- The Energy Commission, which periodically revises regulations including Title 24 standards, could allow projects that reduce overall carbon emissions or improve health and quality of life for residents (even if they increase electricity use). The Public Utilities Commission is currently updating and refining the ESA program's calculation of these non-energy benefits.

Solution: State energy regulators could create a comprehensive database to help prioritize retrofit projects.

- The database would include information on renovation and refinancing timelines, energy usage, income levels, and applicable incentives, with staff analysts to identify when individual properties are best suited to take on energy retrofit projects and prepare a long-term timeline to help the state achieve its SB 350 goals.
- The database could support Energy Commission energy data benchmarking and analysis efforts under AB 802.
- **Example:** The California Housing Partnership Corporation's Preservation Clearinghouse, which performs a parallel task to assess the risk that subsidized affordable housing properties might lose their affordable status and convert to market-rate housing.

Center for Law, Energy & the Environment (CLEE)

UC Berkeley School of Law
390 Simon Hall
Berkeley, CA 94720-7200
www.clee.berkeley.edu

Emmett Institute on Climate Change and the Environment

UCLA School of Law
405 Hilgard Avenue
Los Angeles, CA 90095
www.law.ucla.edu/emmett

For more information, contact Ethan Elkind at
eelkind@law.berkeley.edu or Ted Lamm at
tlamm@law.berkeley.edu

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