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IEPR Staff Workshop for Development of 2019 California Energy Efficiency Action Plan - Los Angles

Additional submitted attachment is included below.

IEPR Staff Workshop for Development of 2019 California Energy Efficiency Action Plan

Built It Green written response to questions

Panel Questions for Los Angles Workshop on April 30th 2019

Multifamily Energy Efficiency Panel

General note- When responding, please indicate what type of multifamily building you are referring to, i.e., large multifamily, small multifamily, low-income multifamily. Also, please indicate whether response is best suited for new construction or retrofit.

1. What best practices can you share for capturing energy efficiency in multifamily buildings? Are these common area upgrades, or are you able to capture deeper upgrades in individual dwellings?

   Answer:

   a. 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. Split incentives happen when a property owner pays for an upgrade that only benefit the tenant because the tenant pays the utility for that upgrade. It can also happen in reverse but this is less of a concern for property owners.

   b. There are a variety of multifamily building stock from small property owners to large property owners. Having a flexible program design is needed to be able to address different configurations. Challenges faced by both large and small owners can require different solutions. As one example small properties tend to have less access to resources that facilitate reduced energy use. This generally relates to less technical support to evaluate energy efficiency needs. Large multifamily properties generally have more resources to address energy savings options.

   c. Two pronged approach:

      i. Whole building assessment and technical assistance to go beyond the business as usual approach to improvements.

      ii. Consistent and reliably funded programs for technical assistance offers clear roadmaps to achieving energy efficiency goals. Technical assistance can be used to support deeper savings and funding to meet that need. Property owners need confidence in program longevity to be able to plan and count on it beyond yearly funding cycles. Short programs cycles don't address the long time tables need by property owner for significant energy upgrades.

   d. With largest loads in MF buildings are DHW and lighting. So these tend to be the focus for improvements. Projects with central systems often see smaller in unit improvements that include water efficiency and lighting.

e. Can be harder to have deeper savings in units with individual systems because of the split incentive. Often owners looking to do work that will benefit them as well. In unit savings may be limited. We have required that a minimum number of units receive benefits to ensure that savings reach both owner and tenant.

f. The greatest program cost is acquisition of the property and assessment and getting into a building. Therefore, we should maximize that opportunity for comprehensive assessment that aligns with GHG goals and includes: EE, renewables, health, maintenance, and storage. We also can't forget to listen to property owners and their priorities have to be incorporated into these upgrades. Buy-in is essential.

2. What changes could be made to capture more energy efficiency in multifamily dwellings? Are they programmatic, policy, resource related, or other?

Answer:

Policy:

a. Long term investment in programs to reduce energy use, improve health and bring people out of poverty or stabilize their life. Lack of Reliable, Long-Term Public Funding Inhibits Market Transformation longer timeline for programs and funding to allow for planning and increase confidence. 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 refinancing and renovations in five- and ten-year increments, particularly for larger developers. For large multifamily retrofits projects (the ones we are hoping to encourage that have high energy savings), it takes years of planning.
b. Increased, long-term funding is needed for programs to flourish. To be able to integrate deep energy efficiency into refinancing projects, owners need to be thinking about this at year 12 and then complete work at year 15.

c. Policy: Cost effectiveness creates constraints. We do want accountability and good investment we do not want to this to prevent investment. Often this can result in reduction in investment for outreach that is critical to get to all populations especially our most vulnerable. This can also reduce ability to invest in deep technical assistance and education.

d. Policy: 3-pront test.

Programmatic:

a. Need to align funding to support property owner with limited access to capital.

b. Consider ways to simplify program requirements and eligibility and access to programs. There are many programs available that can be a challenge to navigate as well as a challenge to layer to maximize incentives. This is particularly acute for small owner have

limited resources (staff) to dedicate to this for a small portfolio of buildings. This could be a single point of contact and/or different program delivery structure to provide simplified and comprehensive programs.

c. Programmatic and Policy: Metrics for success and reporting that support overall goals for state. Program design requirements drive to maximizing those goals.

d. One of the challenges with small to medium size MF that is designated low-income or a "market rate" low-income for participation in a program to reduce energy use. Finding, selling and creating a SOW that has financing and clear property own benefits can be difficult. It is a harder sell to a property owner if they don't see energy savings in the form of lower costs. If the tenant is the only one who sees the savings, it is challenging to ask property owners to cover costs of the upgrade

3. How are non-energy benefits incorporated into the program process, if at all?

Answer:

Prefer to call them co-benefits, rather than non-energy benefits. These can be hard to quantify such as improved comfort, reduced stress, affordability, and improved health. As a result of being harder to quantify metrics, these benefits are not well accounted for in program design and reporting.

Co-benefits are recognized for reducing greenhouse gas emissions and energy use while lowering energy bills, weatherization services also have significant health benefits. As such, increasing access to these services for low-income people with pre-existing health conditions can reduce climate vulnerability while also reducing GHGs. Energy Efficiency is also one of the most cost-effective ways to reduce carbon pollution and take action on climate change while supporting a new clean energy market that creates jobs and improves overall livability for residents. In order to address problems as interrelated and complex as climate change, health inequities, and poverty, we are going to have to work across sectors and train ourselves to understand the goals, language, and skills of other sectors. The American Council for an Energy-Efficient Economy (ACEEE) released a new report in March 2018, *The Next Nexus: Exemplary Programs That Save Energy and Improve Health.* The report highlights a variety of common and best practices, and provides a roadmap for organizations looking to bring indoor health benefits and energy savings to their community.

While benefits of health and energy efficiency have been documented in several literature reviews of energy programs, the approach is not being built into program design or funded in programs. Incorporating measures that do not have a TRC can be very challenging when programs require energy savings for each measure. We need to move away from looking at one metric to determine success. The greatest cost is acquisition and getting into a building. Therefore, we should maximize that opportunity for comprehensive assessment that aligns with GHG goals and includes: EE, renewables, health, maintenance, and storage.

4. What challenges do you face to performing deep energy efficiency upgrades?

Answer:

Property owners tend to not want to start a project without knowing how much it will be to complete. Many times, property owners have a significant amount of deferred maintenance so the unknown costs of energy efficiency can be unappealing. The cost for unknown scope of work that may come up with retrofits. Existing conditions can often expand the scope beyond initial assessments to repair, complete maintenance, improve durability or building. We have been working on projects where we have been combining funding that is allocated for repairs, money that is narrowly allocated for energy efficiency, and philanthropic dollars to address things like carpet removal and ventilation and roof repairs to be able to deliver comprehensive EE.

Technical assistance to determine appropriate upgrades to maximize energy cost savings is needed. Assistance when picking out appropriate equipment, staging upgrades, hiring skilled installers, and clear benefits for both property owner and tenants are essential to the success of deep retrofits.

5. What funding sources exist for bridge funding to address unanticipated costs triggered by the building retrofits such as lead, mold, and asbestos mitigation?

   Answer:

   This is a challenge as many of these funding sources are localized and on different cycles than programs while also requiring different eligibility requirements. Ideally, these funding sources would be leverageble to deliver services in the most streamlined manner minimizing impact to property owner and tenants.

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6. What role can the Energy Commission play to reduce barriers to energy efficiency upgrades? What can other state agencies do to help?

   Answer:

   - Measuring performance through GHG reductions.
   - Allowing some co-benefits – health related improvements.
   - Financing options made easier and accessible for small to medium low-income properties
   - Support creative outreach to reach most vulnerable populations
   - Support technical assistance to achieve results
   - Support comprehensive assessments and improvements to achieve the multiple benefits. The reason why we are looking so specifically at GHG and DACs is because these populations will be most adversely affected, but if we are only providing a less than comprehensive improvement for large portion or large improvement for small portion, we are not adequately addressing the population.
   - Support collaborative efforts to less served populations.

7. To what extent do you utilize a well-trained local workforce in your energy efficiency efforts? Are your building operators trained for new technologies and equipment, such as heat pumps? Is additional training needed?

   Answer:

   This is a huge challenge. We in the process of developing training to both plan and execute and all electric upgrade and to offer training for heat pump installation and for auditor/contractors to know how to sell it.

   We worked with installation contractors that support small multifamily to single family homes to move beyond widget based approach to weatherization and are now working on education around electrification not only from an evaluation standpoint but an installation standpoint. For companies to invest in training they also need to understand that there is a market there and that the training investment will be beneficial beyond a 1-year or 2-year program.

8. Why should building owners push for deeper energy efficiency retrofits? What advice would you give to other building owners not currently going beyond minimum, required upgrades?

   Answer:

   Deeper EE retrofits result in more durable buildings and reduced operating costs. If the property owner is considering selling a property, there can be improved resale value for market rate properties. Deep retrofits can allow property owners to be more confident in tenant comfort and lower cost utility bills. Tenants can have expectations for transparency of expected utility costs which can playing into decision of where to live if they have options. Affordable housing can benefit from deeper EE upgrades to stabilize monthly costs. Capital improvements that are made could lower operating costs. If tenants are happier, they will stay longer which keep costs down for property owners.

   All electric construction has benefits for developer, residents, the community and the environment from GHG savings, reduced energy usage, bills and construction costs, extend renewables and energy storage for resiliency and improved air quality health and safety. Looking to the future where resiliency strategies will become the business as usual, all electric project will have lower costs to include storage and other sustainable tactics. As we look to the future, energy must be clean and considered in conjunction with storage which all electric buildings can easily leverage. There is a benefit to improving comfort, health, lowering energy bills and making units quieter (road, neighborhood noise) that are all benefits to property owners.

9. How do you incorporate low-income community-based organizations in your efforts? How do you ensure low-income residents are not priced out in the upgrade process?

   Answer:

   We have worked with community based organizations for outreach and delivery of services. Overall, we have found that trusted outreach partners are key. Trusted outreach partners are

key to accessing a variety local organizations that include public health departments (asthma organizations) and public field nurses. We have worked with these nurses to identify solutions that can help to solve health related illnesses without the use of medicines or procedures thus reducing hospital visits while helping people live comfortable lives.

As far as displacement or being priced out, this is a concern and I do not believe there is a good understanding of the magnitude of this challenge. We have been working on principles for tenant benefits to be included in programs through Energy Efficiency for All (EFFA). Most programs have a threshold that rent cannot be increased solely due to energy efficiency improvements for a certain amount of years. The enforcement of this is a challenge in particular for non-regulated affordable housing. This is where more work can be done.

10. How are residents in multifamily buildings best able to access energy efficiency programs? How do you as a building owner encourage or permit them to participate?

    Answer:

    Typically, program participation is through ESA by knocking on doors and results in light bulb, and aerators being installed. Generally, low hanging fruit. Property owners we have found are not super excited about people coming into their units without their knowledge or consent and it results in variations from unit to unit. The benefit for the property owner is to have all tenants participate are reduced maintenance costs, reduced variety in stock or appliances. The consistency is beneficial to more streamlined maintenance.

    This is a challenge. There is a significant value in serving a whole building rather than unit by unit. Higher energy savings if the project can bring in the property owner into the process to allow deeper retrofits for EE. We have found in small MF it is a challenge for a landlord to provide approval to deliver services for several reasons: (1) not confident in “free” or reduced cost for EE measures (will they get stuck with the bill in the end), (2) they are concerned about what else will be discovered in terms of code violations, repairs that will cost them more money (3) general distrust in governmental programs or (4) other areas may be found that tenant could complain about.

11. Have you experienced successful market-rate multifamily retrofits? If so, what made them successful?

    Answer:

    Generally on projects with central systems, so there is a mutual benefit to owner and tenant.