

DOCKETED

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Multi-Family Residential MUST be Fairly Addressed

Additional submitted attachment is included below.

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Disclosure

Founded in 2011, Powertree Services Inc. (www.powertree.com) works solely in the multi-family building market, enabling solar energy storage and Electric Vehicle charging for residential applications. Powertree designs, manufactures and installs directly, or with Installers, Solar, Energy Storage, Backup and EV Charging for Multi-Family properties. Powertree currently has installed or has under contract, thousands of apartments in California alone and is not reliant upon net metering or IOU/POU policies while delivering 2x to 5x the value per KWH to property owners and Tenants than current IOU solar programs. While Powertree may benefit from our proposals there are multiple competitors in the field who may also benefit.

Opportunity/Problem Being Solved

PROBLEM FOR THE STATE

The State of CA has relied on policies implemented primarily through the IOU (PG&E, SCE, SDG&E, SCGAS) who serve only a portion of the State's population. Appx 40% of the State's population is OUTSIDE the IOU territories. This is a base problem in that Statewide requirements must ALSO address non-IOU populations.

Additionally, the amount of capital available via IOUs and the resulting IOU rate increases is limited especially when compared to the capital need. Multi-Family property in California, per Zillow & NHMC (National Multi Family Housing Council) research has the total value of California Multi-Family real estate at appx. \$3.7 Trillion dollars while the total combined Public Market Cap of the IOUs hover in the \$100 billion range. Policies that bring the 30-40x capital resources to bear from Multi Family owners in support of State policies must be kept in mind.

Equitable solutions are also critical and required by the IRA legislation. The State of CA and legislation affecting climate and energy have historically been analyzed, structured and measured around Single-family customers and "average" Utility Customers. **Multi-Family IS NOT THE SAME as Single Family in energy consumption, rights of control, income distributions, access or optionality and as a result historical policy attempts have succeeded for Single Family but have failed miserably for Multi-Family as demonstrated in the lack of tenant benefitting multi-family projects.** An example in current discussion is the idea of installing Heat Pumps and linking 50122 Electrification funding to heat pumps. Such an idea would block many viable solutions in Multi-Family where heat pumps are much less viable to install and would create a paucity of funds for other more viable projects. Care and consideration to the REALITY of Multi-Family residents and owners is essential for Equitable and successful deployment of IRA 50121 and 50122 funds.

PROBLEM TO SOLVE FOR RENTERS

Currently residential solar is appx 95%+ installed in single family homes while 43% of the California population (and rising) are Renters most of whom live in multi-family properties that have limited access to the benefits of renewable technologies such as solar power, backup energy storage for emergency use in case of power outages and readily available access to electric vehicle charging. Benefits accruing from these technologies include lowering renters' costs of living through decreased utility costs, and realistically displacing dirty gasoline powered vehicles with electric vehicles as California has set as the State's goal. Of note is that low-income households who disproportionately reside in multi-family residential properties spend an average of 1/3rd of their after-tax income on transportation. (More than 1/3rd when home use of energy is added.) With rapidly rising energy prices, especially in IOU territories, tenants are seeing their budgets squeezed. As State of CA stated in its recent EV Infrastructure report "PEV adoption still faces several challenges, including high upfront vehicle purchase costs, barriers to home charging, and range anxiety due to gaps in public charging infrastructure. These challenges are

often felt by low-income households that spend, on average, about a third of take-home income on transportation costs.” [CA EV Infrastructure Deployment Report – page 10]

PROBLEM TO SOLVE FOR PROPERTY OWNERS:

Concurrent with the above, property owners of multi-unit buildings who do not pay the direct cost of electricity have little incentive to allow or make investments on their property yet are being seeing decreasing - property values due to increasingly economically stressed tenants in these difficult times. With double % digit decreases in rents and 30%+ (per Nation Multifamily Housing Council tracking) of renters being late or unpaid the value of multi-family properties is under stress. Of note is that Multi-Family property, unlike single family, has no option for long term fixed rate mortgages and must refinance or reset every few years. This leaves MF properties vulnerable to significant valuation drops as interest rates rise. Finding new forms of revenue, while simultaneously reducing the costs to tenants helps not only the Tenant but the property owner and mitigates many of the government expenses and challenges that arise from mass evictions and crashing property values.

OPPORTUNITY:

It is possible to **simultaneously** lower the cost of living for tenants, increase recognized rents and property values for owners, access significant private capital to matching and fund energy efficiency and EV infrastructure upgrades while creating jobs and increasing the utilization of renewables for home and transport. Our studies, in conjunction with the State of CA and energy industry associations, show there is a ~\$1Trillion real estate equity increase opportunity (with associated multi billion capital supply from MF owners) if the 42% of CA residents (the majority of urban residents) and the 60% of Solar Rooftop potential (per NREL) can be brought into meeting the renewable energy and clean transportation goals already set forth in State law and executive orders. This can create jobs, reduce evictions, clean the air, stabilize and increase the tax base for communities and lower cost of health care throughout the country. No plan for 100% can be achieved if we do not address this heretofore forgotten portion of our population – our renters.

Impediments to Implementation

Multi-family property, unlike single family homes, has a unique impact in that it creates significant wealth that can be immediately used based on a long-term rental income stream by recognizing the Net Present Value of 20 or more years of forward income. This is dependent on the property having consistent and predictable revenue streams. This characteristic means that that wealth can be drawn on more quickly to investment in new projects, jobs and other economic activity including payment of taxes both property and income. Multi-family owners have barriers to investment and in financing of these system due to

- (i) a split incentive between the owner who has the authority to modify a property and the renter who pays the cost/bill,
- (ii) barriers to effective finance due to inefficient utilization of tax credits, incentives and depreciation due the nature of Multi-Family property finance especially in new construction and low income properties,
- (iii) historical business models that prevent Owners from seeing equity value increase for their energy investments, and
- (iv) reliance on IOUs as the vehicles for funding and deployment resulting in a patchwork of inconsistent programs making implementation and management more difficult and so slowing or preventing projects from being implemented.

Policy-based incentives have heretofore been structured to assume the beneficiary of new energy systems is also the owner/decision maker of the property. Renters have been never participated in any such incentive-based policy! As such-the vast majority of benefits (90% or more) of historic solar and EVs are being provided to homeowners or drivers rather than to renters furthering both an income and wealth gap that creates additional

societal issues. This inequity is specifically targeted in the requirements of the IRA 50121 and 50122 programs. This, when combined with local Utility company's regulated rate of return on energy, has led to disproportionate increases in energy costs for Renters vs wealthier homeowners.

Recommended Actions

We recommend a set of rules within the IRA 50121 and 50122 implementations by California to address the barriers to delivering renewable energy and electrified transport benefits to Renters.

These include:

- 1) Allocate a proportion of funds equal to or greater than the multi-family residential population plus some adjustment for past inequity
 - i) At least 50% of any funds should be allocated to Multi-Family projects.
 - ii) Assure that non-IOU territories receive a fair allocation (at least 40% of funds). These are also the areas where most new Multi-Family is being built.
- 2) Leave implementation rules flexible and not designed for Single family only.
For example: do NOT link 50122 Electrification for Wiring and Panel upgrades to heat pumps alone or to any single technology. Allow for Stand Alone wiring and panel upgrades provided they are done to implement a GHG reducing technology which can include heat pumps but is not exclusive to heat pumps.
- 3) Allow project grants to be retroactive to the date of the IRA legislation as other IRA programs are moving faster than CA's 50121/50122 implementations. The DoE ITC bonus adder program for example has already been issuing awards but there is significant uncertainty around whether projects awarded under the DoE ITC program will be able to benefit from the 50121/50122 programs. This will enable a running start when CA 50121/50122 programs are in effect.
- 4) Recognize that there are efficiency upgrades for solar that should be supported. While direct generation subsidy is prohibited in 50121/22, enhancement and efficiency technologies that assure higher self-consumption, higher value for consumers and less wasted energy must be supported. If not, we are not incenting the innovation we need.
- 5) Assure that UA and CUAC adjustments can be made in low-income properties if the utility bill reading of energy consumption is reduced. In this way Low Income properties can improve their bankable position WITHOUT negatively impacting Tenants.

Powertree Services is happy to provide further details and analysis support for the points made here around the needs and challenges in multi-family on request.