DOCKETED

Docket Number:	16-OIR-02
Project Title:	SB 350 Barriers Report
TN #:	212956
Document Title:	Comments on 350 Barriers Report
Description:	Comments from The Natural Resources Defense Council, California Housing Partnership, Association for Energy Affordability and Greenlining Institute
Filer:	System
Organization:	The Natural Resources Defense Council, California Housing Partnership, Assoc. for Energy Affordability & Greenlining Institute
Submitter Role:	Public
Submission Date:	8/25/2016 4:49:47 PM
Docketed Date:	8/25/2016

Comment Received From: Caroline McCormack
Submitted On: 8/25/2016
Docket Number: 16-OIR-02

COMMENTS OF THE GREEN-ENERGY EFFICIENCY FOR ALL COALITION, INCLUDING NATURAL RESOURCES DEFENSE COUNCIL, CALIFORNIA HOUSING PARTNERSHIP, ASSOCIATION FOR ENERGY AFFORDABILITY, AND GREENLINING INSTITUTE, ON SB 350 BARRIERS REPORT

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of: SB 350 Barriers Report	Docket No. 16-OIR-02

COMMENTS OF THE GREEN-ENERGY EFFICIENCY FOR ALL COALITION, INCLUDING NATURAL RESOURCES DEFENSE COUNCIL, CALIFORNIA HOUSING PARTNERSHIP, ASSOCIATION FOR ENERGY AFFORDABILITY, AND GREENLINING INSTITUTE, ON SB 350 BARRIERS REPORT

August 25, 2016

Maria Stamas
Natural Resources Defense Council
111 Sutter Street, CA 94104
Telephone: (415) 875-8240
mstamas@nrdc.org

I. INTRODUCTION

The Natural Resources Defense Council (NRDC), California Housing Partnership (CHPC), Association for Energy Affordability, and Greenlining Institute, respectfully submit these comments on behalf of the Green Rental home Energy Network (GREEN) and Energy Efficiency for All (EEFA) regarding the California Energy Commission's SB 350 Barriers Report.[1]

Our GREEN-EEFA Coalition provides these comments following the California Energy Commission's August 12, 2016, workshop. Our recommendations are focused on barriers and solutions to serving the affordable and naturally occurring multifamily sectors, whose tenants comprise between 32 to 50 percent of low income residents in California.

II. SUMMARY

SB 350 specifies that "On or before Jan 1, 2017, the CEC, with input from others, will develop and publish a study on barriers for low-income customers to energy efficiency and weatherization investments, including those in disadvantaged communities, as well as recommendations on how to increase access to energy efficiency and weatherization investments to low-income customers." It also sets requirements for California to generate half of its electricity from renewable energy sources and double energy efficiency in all buildings by 2030, while also substantially building the infrastructure for electric transportation.[2] Our comments focus on how the low-income multifamily sector can play a major role in achieving California's bold energy goals.

We appreciate the opportunity to provide the Commission with our comments on the SB 350 Barriers Workshop. In summary, our comments and recommendations include:

---

[1] CHPC created GREEN, a coalition of over 80 affordable housing, environmental, and energy efficiency organizations working to increase access to energy efficiency resources for multifamily rental properties in California. EEFA is a national partnership dedicated to linking the energy and housing sectors together in order to tap the benefits of energy efficiency for millions of low-income families. In California, we work together with multifamily property owners and managers and numerous other partners to ensure that low-income households benefit from cleaner, healthier, and more affordable housing.

[2] See Clean Energy and Pollution Reduction Act of 2015, California Public Resources Code Section 25327(b).

A. Consider Use of Legislation to (1) Set a High-Level Statewide Goal for Building Retrofits and Energy Savings for this Sector; (2) Streamline Enrollment and Consolidate Programs to the Greatest Extent Feasible.

B. Adopt Two Separate Area Median Income (AMI) Based Income Eligibility Requirements for Multifamily Properties Depending on the Level of Incentive to be Offered: (1) For the highest level incentive programs, restrict access to properties with rent-restrictions imposed by a federal or state agency in which at least 80% of tenants earn no more than 60% of AMI; (2) for lower level incentive or direct install programs, allow properties to qualify if at least 50% of the tenants earn no more than 80% AMI.

C. For Naturally Occurring Affordable Properties (low-income market rate), Consider Incorporation of Owner Agreements Not to Raise Rents As Condition for Participation in Whole-Building Programs, Similar to those Agreements Used in Massachusetts, New York, and CSD's LIWP program.

D. Ensure Long-term Consistent Funding for Programs, and Minimum of 4-Year Budget Cycles for Low-Income Multifamily Programs

E. Ensure Any Cost Effectiveness Screening Incorporates Non-Energy Benefits, Including Social Benefits

F. Set Energy Savings Goals for Programs, or Their Equivalent, to Ensure Programs Reduce Energy Bill Burdens for Owners and Tenants

G. Explore Ways to Integrate Health and Safety Measures into Programs and Address Combustion Safety Policies so They Do Not Hinder Efficiency Retrofits

H. Establish Regional One Stop Shops to Provide Technical Assistance and Seamless Delivery of Services To Owners and Tenants

I. Design Programs Targeted to Owners' Circumstances and Particular Constraints

J. Treat Buildings Holistically with Comprehensive Audits and Whole-building Measures

K. Establish a Statewide Advisory Board or Working Group that Can Provide A Feedback Loop Between Customers (Low Income Owners and Tenants) and Program Administrators

III. Comments

A. Consider Use of Legislation to (1) Set A High-level Statewide Goal for Building Retrofits and Energy Savings for Low-income Multifamily Properties; (2) Streamline Enrollment and Consolidate Programs to the Greatest Extent Feasible

While California has many energy efficiency programs, and several dedicated to low-income tenants, the bewildering array of programs and enrollment processes has significantly hindered participation. Legislation could play a role in helping to align programs, ensuring long-term funding and consistency of offerings, and establishing regional or statewide owner concierge services that provide technical assistance and fully integrate numerous offerings into a single, seamless package for owners.

1. High-Level Goal for Retrofits and Energy Burden

A high-level goal for building retrofits associated with an energy savings target and a set target date could ensure a stable long-term market for retrofits and motivate programs to increase their scale and associated energy and greenhouse gas savings. This would also spur the market to create longer-term, quality jobs while providing a level of consistency that owners can depend on.

2. Aligning or Consolidating Disparate Programs

The myriad application processes, incentives, and program models are confusing for building owners and discourage participation in programs. In some cases, similar but not identical versions of a program may be offered within different service territories. For example, the Investor Owned Utility (IOU), Regional Energy Networks (RENs) and Community Choice Aggregators (CCAs) whole building programs collectively fall under the overarching umbrella of the Energy Upgrade California brand, but all have different implementation models. While the overarching programs are similar, some components differ significantly—and those differences can have major impacts on whether an owner chooses to participate. Within some of those implementation models, owners are required to hire a 3rd party Rater/Energy Consultant to perform the energy assessment and develop a scope of work, while other model provide this technical assistance for free, as part of the program offering.

Legislation could also play a role in streamlining and standardizing these programs, and ensure that owners experience a single outward-facing multifamily efficiency program, regardless of the number of funding sources, utilities, implementers, or models involved. For example, legislation could require a single statewide application or intake process, and require third-party entities or program administrators to coordinate incentives, audits, and separate programs on the back end.[3]

B. Adopt Two Separate Area Median Income (AMI) Based Income Eligibility Requirements for Multifamily Properties Depending on the Level of Incentive to be Offered: (1) For the highest level incentive programs, restrict access to properties with rent-restrictions imposed by a federal or state agency in which at least 80% of tenants earn no more than 60% of AMI; (2) for lower level incentive or direct install programs, allow properties to qualify if at least 50% of the tenants earn no more than 80% AMI.

Efficiency and solar programs across the state use different thresholds for income eligibility. We strongly urge the state to align these requirements to the greatest extent possible. As a start, we encourage all programs to use area median income (AMI) as opposed to federal poverty guidelines, since this is the standard used by all state housing programs. We recommend offering the highest level of program incentives to federally and state-assisted properties serving the lowest income households earning where at least 80% of residents earn no more than 60% of AMI. This is the standard used in the state's AB 693 Solar Roofs Program. We further recommend that lower-level incentives and direct install be offered to properties where at least 50% of households earn less than 80% AMI. This is the standard used by leading low-income multifamily weatherization programs, such as LEAN in Massachusetts.[4]

C. For Naturally Occurring Affordable Properties (low-income market rate), Incorporate Owner Agreements Not to Raise Rent As Condition for Participation in Whole-Building Programs, Similar to those in Massachusetts, New York, and The California Department of Community Services and Development Low Income Weatherization Program.

Providing whole-building services to building owners provides numerous benefits to residents, even where bills are not directly reduced. These benefits include: preserving the affordability of buildings by reducing upward pressure on rents, and increasing the health, safety, and comfort of living spaces. To the extent properties in gentrifying areas may receive

[3] For more detailed recommendations on aligning and consolidating programs, see *MF HERCC Recommendations Report: 2015 Update,* Multifamily Subcommittee of the California Home Energy Retrofit Coordinating Committee (January 25, 2015), page 10.
[4] LEAN won ACEEE's "Exemplary Program" certificate of recognition in 2013.

significant whole-building incentives, but are not subject to rent control or deed-restrictions, there could be a risk of increased rents. Building owners in New York are required to guard against this risk, while still ensuring owners and low-income tenants benefit from clean energy services. We recommend incorporating owner agreements into programs whereby owners agree not to increase rents for a set period of time as a condition for participation. New York employs a Multifamily Building Owner Agreement under the Weatherization Assistance Program, which includes provisions that state the owner may not raise rents as a result of the improvement that been made by the program. Massachusetts uses an owner affidavit, stipulating that when the efficiency program covers whole building measures for properties, owners must stipulate that 50% or more of their units will continue to house tenants with income at or below 60% of median income for an additional ten years. Program experience in Massachusetts has shown that owners are complying with this stipulation. The California Department of Community Services and Development (CSD) Low Income Weatherization Program (LIWP) for large multifamily buildings also requires owners to sign an Affordability Covenant stipulating that the property owner will continue to adhere to affordability restrictions for at least 66% of tenants earning at or below 80% AMI for ten additional years.

D. Ensure Long-term Consistent Funding for Programs, and Minimum of 4-Year Budget Cycles for Low-Income Multifamily Programs

Multifamily projects often take 24 months to complete, and much longer when you factor in planning, financing, and other project variables.[5] One year start-and-stop cycles, such as those found in the CPUC's EUC Multifamily programs, and to a certain extent, CSD's LIWP, prevent implementers from engaging projects in the beginning of the design and budgeting phase, which is the ideal engagement point. This reduces the number of participants overall and the energy savings for those who participate.

Guaranteed long-term funding is critical not only to ensure multifamily properties are able to participate, but also to ensure a robust workforce and quality jobs. Little planning or iterative improvement can happen when program implementers and customers are unsure whether a program will exist in a given year.

[5] Cadmus. 2013. *ESA Program Multifamily Segment Study,* p.144.

E. Ensure Any Cost Effectiveness Screening Incorporates Non-Energy Benefits, Including Social Benefits

Low-income multifamily energy efficiency retrofit programs should not be evaluated under CPUC's General Energy Efficiency Total Resource Cost (TRC) test policies, and these programs should be treated with flexibility due to the unique challenge faced by this building sector. At a minimum, cost-effectiveness thresholds should be met at the portfolio level and significant levels of non-energy benefits incorporated. Non-energy benefits include many very real values directly resulting from efficiency projects, such as health benefits, reduced maintenance, and reduced arrearages. Because these values are often hard to measure with precision (or costly to do so), they tend to be excluded. They should be included; the uncertainty associated with approximate values is better than systematic undervaluation.

Under General Energy Efficiency TRC policies, the cost of combustion safety tests and remediation as well as owner co-pays should be eliminated from weighing down overall cost effectiveness. Free ridership estimates should be eliminated or significantly adjusted to not penalize participation from owners who seek program assistance to capture additional energy savings on an existing construction project. Also, savings should only be counted from existing property conditions to reflect the reality that few tenants or owners would be undergoing major energy efficiency retrofits without additional program funding.

F. Set Energy Savings Goals for Programs, or Equivalent, to Ensure Programs Reduce Energy Bill Burdens for Owners and Tenants

California's low income programs are relatively unique in not having set specific energy savings goals, which in turn directly reduce utility bills. Numerous jurisdictions, including Vermont, Massachusetts, Rhode Island, Connecticut, and New Zealand, have successfully set kWh and Therm goals for low income efficiency programs, and California should follow these programs' leads. Energy savings directly reduce residents' bills, which in turn helps allay the disproportionate energy burden faced by this population. Targets help ensure programs' achieve this goal.

G. Explore Ways to Integrate Health and Safety Measures into Programs and Address Combustion Safety Policies in Ways that Do Not Hinder Efficiency Retrofits

Combustion safety testing and asbestos remediation can result in significant budget increases, and prevent efficiency projects from moving forward. We therefore encourage low income weatherization programs leverage public health and other sources of funding to provide holistic services to owners and tenants.

H. Establish Regional One Stop Shops to Provide Technical Assistance and Seamless Delivery of Services To Owners and Tenants

Program experience shows that building owners benefit from access to people who can help navigate program offerings and provide project development and technical assistance, such as initial assessments, audits, and project support through the entire process.

A one-stop-shop model offers a full-service approach to multifamily building efficiency upgrades. It provides building owners with concierge-type services to access efficiency programs, identify contractors, manage the onsite work needed to complete the efficiency upgrades, and monitor progress. The key figure in this concierge model is the single point of contact assigned to every owner. The single point of contact coordinates a team of experts to spearhead the major building upgrades and guides busy property managers through the entire retrofit process. These individuals become trusted advisors to local building owners. The people in this function should be specialists and empowered to build relationships with local partners, such as lenders, contractors, and utility staff.

For an example of a well-functioning one-stop shop model, we recommend review of Elevate Energy's Multifamily Energy Efficiency Program, initiated in January 2008 and now in its eighth year of existence. This program is a one-stop-shop program targeting existing and mid-to-low income, affordable, and subsidized buildings in the Chicago area. The Program experiences a 43% uptake rate from initial inquiry, compared to its previous average of 20%, and has achieved 20-30% average energy savings per building, and retrofitted 600 buildings and 25,000 units with savings of approximately 6 million therms and 16 million kWh.

Finally, marketing, education, and outreach (ME&O) is critical to ensure the success of one stop shops and wide programmatic participation. We recommend the CEC and CPUC coordinate on statewide efforts to educate Californians on the state's new policies and goals. ME&O should be tailored to address the unique participation barriers faced by multifamily renters and owners in disadvantaged and low income communities. These ME&O activities could also direct residents and owners to regional one stop shop services. We recommend the CEC and CPUC coordinate to ensure ME&O funding is used strategically and effectively.

I. Design Programs Targeted to Owners' Circumstances and Particular Constraints

Multifamily affordable housing is a unique, specialized building sector. Regulators and implementers should tailor programs specifically for this sector. It's not enough to make multifamily affordable housing eligible for other residential or commercial programs. In addition, program implementers should tailor outreach and program features to specific building types. Groups to target include subsidized housing, such as buildings that receive assistance from the US. Department of Housing and Urban Development (HUD), buildings financed with California low-income tax credits and local subsidies, and those with central cooling or heating. Naturally occurring affordable buildings should also be targeted under different approaches that will comport with these owners' specific circumstances.

Furthermore, programs should tailor outreach directly to owners and property managers, who make the investment and efficiency upgrade decisions. Low income programs might also explore adopting opt-out policies in multifamily buildings to increase participation, energy savings, and ease administrative burdens. For example, the Energy Trust of Oregon uses an opt-out strategy for their Multifamily Instant Savings Opportunities (ISO) direct install program, which allows them to reach an average of 85% of the units in participating multifamily buildings. Owners sign buildings up for participation and residents are offered the opportunity to opt-out of receiving upgrades. If they do nothing, their units are served along with the rest of the building. Adopting this type of strategy facilitates efficient work flow by enabling the contractor to work directly with the owners, ensures that the owner is fully informed, and enables the program to treat the maximum possible number of homes, while still providing residents with the opportunity to opt-out if they choose to.

J. Treat Buildings Holistically with Comprehensive Audits and Whole-building Measures and Incentives

A prescriptive, unit-by-unit approach to retrofitting complex multifamily buildings, such as that employed by the CPUC's Energy Savings Assistance Program, is inefficient and inappropriate for the multifamily building sector. Utility systems in multifamily buildings are complex, and require higher skilled work to retrofit and transcend the division between private living space and common areas. Further, after extensive analysis, the 2011 MF HERCC report concluded that because of the diversity of building types, systems, and other factors, a whole-building prescriptive approach to energy efficiency programs is an infeasible option, and would drive up administrative costs and create market confusion.[6] The MF HERCC recommended a performance-based whole building approach, tailored to the needs of the specific building.[7] We recommend adopting this model across the state.

K. Establish a Statewide Advisory Board or Working Group to Create A Feedback Loop Between Customers (Low Income Owners and Tenants) and Program Administrators

We recommend establishing a statewide low-income multifamily stakeholder working group. Ensuring there is an opportunity for input and feedback from building owners, technical experts, contractors, and program implementers will be critical to getting programs right. This type of a process has proven to result in enhanced programs. The ACEEE award-winning LEAN Multifamily Program was launched after an intensive stakeholder engagement process with the program implementers. Even following the launch of the program, stakeholders and interested parties get together through collaborative meetings twice or three times annually to resolve any outstanding issues that arise. Establishing an ongoing multifamily stakeholder working group would provide a valuable opportunity for program participants to contribute valuable feedback and recommendations.

IV. CONCLUSION

GREEN-EEFA appreciates the opportunity to offer these comments on the Commission's SB 350 Barriers/Solutions Report, and encourages the Commission to consider our recommendations, as elaborated on above, in addition to the State's ambitious energy requirements to double the amount of energy efficiency savings currently being achieved in order to reduce greenhouse gas emissions.

Dated: August 25, 2016 Respectfully submitted,

---

[6] Multifamily Subcommittee of the California Home Energy Retrofit Coordinating Committee. Improving California's Multifamily Buildings: Opportunities and Recommendations for Green Retrofit and Rehab Programs (April 11, 2011), pg. 32.

[7] Ibid, pg. 31

x

STEPHANIE CHEN
The Greenlining Institute
1918 University Ave., 2nd Floor
Berkeley, CA 94704
Telephone: (510) 898-0506
stephaniec@greenlining.org

MARIA STAMAS

Natural Resources Defense Council
111 Sutter Street, CA 94104
Telephone: (415) 875-8240
mstamas@nrdc.org

Andrew Brooks
Association for Energy Affordability
5900 Hollis St., Suite R2
Emeryville, CA 94608
Telephone 510.431.1791
abrooks@aea.us.org

MATTHEW SCHWARTZ
California Housing Partnership Corporation
369 Pine Street, Suite 300
San Francisco, CA 94104
Telephone (415) 433-6804x311
mschwartz@chpc.net