California Housing Partnership Corporation
California's Experts on Affordable Housing Finance, Advocacy & Policy

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AB 1124 (Skinner), Low-Income Energy Efficiency (LIEE) Program
Low-Income Multifamily Rental Apartment Buildings

SUMMARY

Sponsored by the California Housing Partnership (CHPC), AB 1124 (Skinner), will (once amended):

- Make heating and hot water systems in low-income multifamily rental apartment buildings eligible for LIEE assistance (as they are in single family homes). Funding of the measures will be based on the percent of LIEE eligible households (those at or below 200 percent of the Federal Poverty Level (FPL)) in the building. For example, if 66 percent of a building's households are at or below 200 percent FPL, LIEE will provide 66 percent of the cost for heating hot water and common area measure and the owner would be responsible for coming up with the balance.
- Allow LIEE to provide energy efficiency services in common areas of eligible multifamily rental buildings, again, in an amount based on the percent of LIEE eligible households in the building.
- Make buildings placed on the U.S. Department of Energy's (DOE) list of Weatherization Assistance Program (WAP) eligible properties categorically eligible for LIEE assistance.
- Require LIEE programs serving low-income multifamily rental apartment buildings to use a whole building approach; provide a single point of entry for accessing funds; and eliminate barriers to accessing the LIEE program for owners of low-income multifamily rental apartment buildings.

PROBLEM

Major energy efficiency systems are excluded from the LIEE program
The $300 million per year ratepayer funded LIEE program administered by the Investor Owned Utilities (IOUs) currently restricts services to a prescriptive list of energy efficiency measures targeted to individual dwelling units. While this may work well for single-family homes, this unit-by-unit prescriptive measure approach does not work for low-income multifamily rental apartment buildings where much of the potential energy savings lies in heating, cooling, hot water systems, common areas and the building envelop. The LIEE program currently excludes the repair and replacement of heating and hot water systems for rental units under the theory that these systems are included as part of the basic responsibility of landlords under state law.

Establishing income eligibility is burdensome
With limited exceptions, the LIEE program requires each household's income be assessed as being at or below 200 percent of FPL. While this may be a simple process for households living in single-family homes or condominium units, it is extremely burdensome and duplicative for larger low-income multifamily rental apartment buildings. Moreover, it is also unnecessary in the thousands of low-income multifamily rental apartment buildings that already provide income certifications to state and federal agencies. The federal DOE has already recognized the efficiencies in allowing buildings already documenting income eligibility to HUD to

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be categorically eligible, using the same federal poverty level standard. The LIEE program has yet to avail itself of this important advance.

BACKGROUND

In 2009, the Legislature enacted AB 758 (Skinner) to promote increased energy efficiency in existing California buildings leading to reductions in greenhouse gas emissions, as mandated by AB 32. AB 758 directed the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) to improve existing energy efficiency programs (and where appropriate, create new ones) to increase energy savings in residential buildings, including multifamily rental buildings serving low income Californians. With a budget of over $300 million annually, the CPUC's Low-Income Energy Efficiency (LIEE, now renamed the Energy Savings Assistance ESA) program represents a key resource and opportunity to further the purposes of AB 758.

According to the CPUC, nearly half of eligible low-income households live in multifamily buildings. However, these buildings represented only 24 percent of homes treated during the 2008-2010 LIEE funding cycle—signaling systemic barriers between multifamily rental apartment buildings and LIEE funds. While weatherizing windows and similar measures can be effective in multifamily buildings, increasing the efficiency of heating and hot water systems typically yields the greatest energy savings and will contribute to reaching the goal of 20 percent energy savings.

The CPUC Strategic Plan describes a number of goals related to retrofitting existing buildings, including the following:

- By 2020, all eligible customers will be given the opportunity to participate in the Low Income Energy Efficiency program.
- LIEE will be made more efficient through the adoption of more operationally and administratively efficient strategies.
- Other State, Federal and local programs will be leveraged.
- LIEE programs will be integrated with core energy efficiency programs.
- A whole-house approach will be taken in retrofitting existing homes including HVAC systems. Energy consumption in existing homes will be reduced by 20% by 2015 and 40% by 2020.

2012-2014 ENERGY SAVINGS ASSISTANCE PROGRAM

The CPUC is about to embark on the reauthorization of the 2012-2014 ESA program. After working for nearly a year with a large group of stakeholders representing owner/operators of publicly assisted low-income rental housing, energy efficiency advocates and experts, CHPC submitted a pilot proposal in December 2010 to address many of the concerns detailed above. While the CPUC recently issued guidance for the IOUs in applying to the upcoming 2012-2014 ESA cycle that encourages some innovation in this area, the guidance does not go far enough. It does not ease the barriers to qualifying households and does not address how buildings with central systems (in contrast to households) qualify for the program. In addition, the guidance limits any potential innovation to a pilot rather than the ESA program as a whole and does not ensure that IOUs will incorporate such pilots into their applications for the 2012-2014 ESA cycle. Even if IOUs include such pilots, the guidance caps the per-unit ESA share of cost at such a low level that it is unclear how heating and hot water systems could be funded through the pilot. In short, without action by the Legislature, it appears unlikely that the CPUC will address the barriers and opportunities described above to further the goals of AB 32 and AB 758 with the next cycle of its main low income energy retrofit program set to begin in 2012.