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California's Cap-and-Trade-Funded Low-Income Weatherization Program Multifamily: Impact Report



CALIFORNIA HOUSING PARTNERSHIP

www.chpc.net

The state created the California Housing Partnership (the Partnership) in 1988 as a private nonprofit organization with a public mission: to help create and preserve affordable and sustainable homes for low-income Californians by providing expert financial and policy assistance to nonprofit and public partners. Since 2010, we have convened the Green Rental home Energy Efficiency Network (GREEN), with more than 50 nonprofit affordable housing organizations in California, to collaboratively increase access to climate, energy and water resources for affordable housing properties and residents.

The Partnership has provided outreach, education and financial technical assistance to the Low-Income Weatherization Program for Multifamily Properties' participants since the program launched in 2016. We also work in coalition with Energy Efficiency For All (EEFA) California to advance energy equity programs and policies.

ASSOCIATION FOR ENERGY AFFORDABILITY Inc.

aea.us.org

The Association for Energy Affordability, Inc. is a 501(c)(3) not-for-profit organization dedicated to achieving energy efficiency in new and existing buildings in order to foster and maintain affordable and healthy housing for low-income communities. AEA representatives engage in a broad range of educational and technical services to promote this mission and develop the industry that advances and sustains it.

The California Department of Community Services and Development selected the Association for Energy Affordability to implement the statewide Low-Income Weatherization Program for Multifamily Properties.

Photographed properties and individuals in this report are beneficiaries of LIWP investments in Bayside Properties' Cascade Village in Sacramento and Self-Help Enterprises' Casas de la Viña in Madera, Goshen Village II in Visalia, and North Park in Oildale. Photos of Casas de la Viña by Hector Navejas (www.hectornavejasphoto.com). Photos of Cascade Village by Pamela Palma (<http://www.pamelapalma.com>). Association for Energy Affordability received permission to take and/or use these photos in 2017-2019.

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IMPACT REPORT OVERVIEW

Since 2014, the California Department of Community Services and Development (CSD) has administered the **Low Income Weatherization Program** (LIWP) to provide low-income households with solar and energy upgrades to reduce greenhouse gas emissions and advance equitable building decarbonization. While LIWP serves both multifamily and single-family homes, this impact report focuses on the **Multifamily** component of LIWP, implemented statewide by the Association for Energy Affordability.

In addition to doubling energy efficiency savings targets, **Senate Bill 350** recognized that low-income renters and disadvantaged communities face barriers to accessing energy efficiency, weatherization, and renewable energy investments, and require tailored programs to overcome these barriers. LIWP Multifamily is the only state program designed to unlock the benefits of energy and solar retrofits for both residents and owners of multifamily low-income housing in underserved communities, through its flexible and comprehensive whole-building approach coupled with advanced technical assistance.

To date, LIWP Multifamily has served 8,703 households, helping to create a more equitable distribution of clean energy investments in the state. Additionally, the program has committed funding to provide significant energy upgrades to housing for farmworkers and people experiencing homelessness. The LIWP Multifamily program emphasizes the importance of protections for low-income residents. The design of the program goes above and beyond what is required to protect residents from

displacement, and to ensure that financial benefits from LIWP measures reach residents.

California has committed **\$101.52 million** of California Climate Investment funds to LIWP Multifamily to date. More than 8,700 low-income renter households have been served to date, and over 20,000 households will be served with the funding allocated thus far. The State of California’s Clean Energy in Low Income Multifamily Buildings (CLIMB) Action Plan calls for the State to “establish stable funding for the Low Income Weatherization Program”.¹

This report presents findings on the social, economic, and environmental impacts of LIWP Multifamily:

- Key accomplishments
- Serving low-income residents
- Reducing greenhouse gas emissions and advancing building decarbonization
- Building climate resilience and equity
- Providing benefits for farmworker communities
- Supporting preservation of affordable housing



KEY PROGRAM ACCOMPLISHMENTS

The Low-Income Weatherization Program (LIWP) Multifamily reduces greenhouse gas emissions while providing substantial benefits to underserved communities across California.

Key program accomplishments

- **Statewide impact:** Since the program launched in 2016, LIWP Multifamily has served more than 8,700 households with energy efficiency, solar thermal and solar PV upgrades. Over 20,000 low-income households will be served when all committed retrofits have been completed. The program has committed \$101.52 million to invest in 200 properties in 19 counties in disadvantaged and farmworker communities across the state.²
- **Low-income resident benefits:** The ongoing COVID-19 crisis has exacerbated the existing energy and financial burden on low-income residents. The need for financial relief for low-income residents is constant but has been highlighted due to COVID-19. Residents of LIWP Multifamily participating properties are projected to save an average of 30% on their energy bills. LIWP Multifamily has installed 6.4 MW of solar PV to date. More than 74% of this solar PV will directly reduce tenant utility bills for years to come.
- **Deep GHG reductions:** LIWP-funded multifamily properties have reduced overall energy usage by an average of 44%. The program has reduced GHG emissions by 200,160 metric tons of carbon through completed projects to date, equivalent to taking 43,531 vehicles off the road.³
- **Building decarbonization:** LIWP Multifamily has reduced reliance on burning fossil fuels onsite in participating properties by offering high-efficiency electrification measures. 83% of LIWP Multifamily participants received heat pumps, which can electrify over 90% of heating and hot water energy use in homes. The program also provides robust technical assistance and monitoring which is especially important as newer decarbonization technologies come online.
- **Climate resilience and equity:** To date, 98% of program funds have been invested in disadvantaged communities, identified by the CalEnviroScreen tool. 48% of LIWP Multifamily projects are located in the Central Valley.
- **Farmworker housing:** The LIWP program administrator has committed \$5M of Multifamily program funds to upgrades for farmworker homes. LIWP Multifamily is expected to serve 530 farmworker households.
- **Housing for people experiencing homelessness:** The LIWP program has committed \$2M of Multifamily program funds to upgrades for buildings serving people experiencing homelessness.
- **Affordable housing preservation:** The COVID-19 crisis has placed an enormous burden on many affordable housing operators and has diminished operating reserves in many cases. Utility bills comprise 18% of operating expenses of multifamily affordable homes, on average.⁴ By drastically reducing operating costs through solar PV and energy efficiency upgrades, owners can replenish their reserves and use cash flows to address deferred maintenance, increase resident services, and develop more affordable housing.



SERVING LOW-INCOME RESIDENTS

- * Residents of LIWP participating properties save an average of 28% on their energy bills.
- * 74% of solar PV installed through the program yield direct tenant bill savings.



A widow and single mother of two young children, Diana Guzmán struggled to find safe, affordable housing until moving into Casas de la Viña, a property in the Central Valley owned by Self-Help Enterprises. As a result of LIWP Multifamily improvements, Guzmán and other residents have benefited from significant utility bill savings. In Guzmán's words, "I'm saving up to \$70 a month on my bills; I'm only paying \$25 for PG&E. That makes a huge difference."¹²

Why benefits for low-income and communities of color matter

Energy costs have become increasingly unaffordable across California.⁵ Energy and pollution burdens disproportionately affect low-income, Black and Latinx households. The median energy burden for Black and Latinx households are 43% and 20% higher, respectively, than the energy burden experienced by white households.⁶ Research reveals that over 18% of the state's Latinx population, and over 17% of the state's Black population, resides in one of the top 10% most polluted communities.⁷ Additionally, utility shutoffs have increased 50% between 2010 and 2017; energy insecurity now impacts 1 in 4 California utility customers. A utility shutoff can threaten the health and safety of a household and causes displacement.⁸

The ongoing COVID-19 pandemic has further exacerbated financial hardships for families with low incomes as many report difficulties paying bills such as rent and utilities.⁹ This economic fallout has disproportionately impacted Black and Latinx households, compounding existing energy and financial burdens.¹⁰ COVID-19 has also revealed and exacerbated health disparities in low-income and communities of color – as communities with increased exposure to pollution are at higher risk of illnesses that have been identified as co-morbidities for COVID-19.¹¹

How LIWP Multifamily achieves this goal

LIWP Multifamily overcomes the challenges of split incentives between property owners and tenants to provide key financial benefits to low-income households with energy insecurity. Further, many LIWP Multifamily measures improve health and safety. Replacing aging combustion appliances reduces the risk of carbon monoxide poisoning. Duct sealing measures reduce allergens and improve indoor air quality. Lighting upgrades can improve safety through better visibility in common areas and exterior spaces. Additionally, LIWP Multifamily's decarbonization measures help to reduce overall pollution burden in disadvantaged communities.

Real Results: Residents at Self-Help Enterprises' Almond Court in Kern County reduced their monthly energy consumption by 44% through energy efficiency. When including solar PV bill savings, residents are expected to save 67% per month on their utility bills, around \$70 per month per household.

DEEP GREENHOUSE GAS REDUCTIONS AND DECARBONIZATION

- * 83% of LIWP-funded properties received energy efficient heat pumps, which can electrify over 90% of heating and hot water energy use in homes.
- * LIWP-funded electrification projects achieve an average of 56% energy savings¹³ and 32% energy utility bill savings, some achieving near net-zero retrofits.

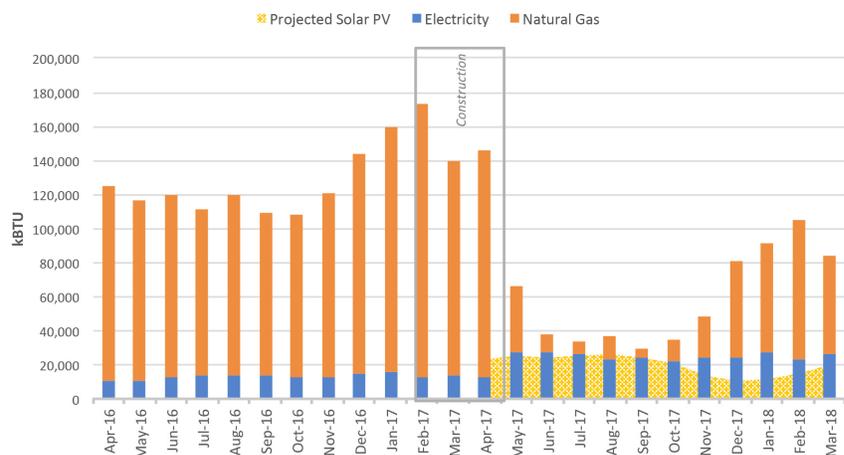
The need for building decarbonization

In 2018, California Governor Brown issued an executive order requiring the state to be carbon neutral by 2045, accelerating the state's existing goal to cut emissions 80 percent below 1990 levels by 2050. To meet this goal, California must rapidly reduce emissions from the building sector, which accounts for 25% of total greenhouse gas (GHG) emissions, second only to transportation as the leading source of climate pollution.¹⁴ Transitioning California's existing low-income multifamily housing stock away from fossil fuels will require ambitious, tailored interventions. As building decarbonization continues to gain momentum as the state's most effective tool to reduce GHG emissions from homes and buildings, it is vital that decarbonization is pursued equitably to ensure that historically underserved communities can benefit and won't be left behind in the process.

How LIWP achieves this policy goal

- **Maximizing GHG emissions reductions:** The scope of LIWP projects is thorough and holistic, integrating energy efficiency and solar (thermal and PV) upgrades that maximize both GHG reductions and energy cost savings. Since utility-based energy efficiency programs primarily serve commercial and industrial customers, LIWP Multifamily provides a critical avenue for multifamily customers to carry out whole-building deep energy retrofits.
- **Proving electrification is possible in affordable housing:** Properties that have participated in LIWP-MF have demonstrated that electrification is indeed possible, and successful, in existing affordable rental housing with comprehensive technical assistance and sufficient incentives.

Cascade Village: Monthly Energy Use



Real Results: Cascade Village in Sacramento realized annual savings of 64% natural gas and 84% electricity.

83% of LIWP projects that received energy-efficient heat pump technology included fuel substitution, switching out natural gas for electricity.

BUILDING CLIMATE RESILIENCE AND EQUITY



- * 98% of LIWP-funded projects to date are located within disadvantaged communities, as identified by the CalEnviroScreen tool.
- * 48% of LIWP projects are located in the Central Valley, a region disproportionately affected by poverty, pollution and frequent heat waves.
- * 40% of properties served by LIWP Multifamily have received high efficiency heating/cooling equipment, and 40% have received high performance window replacements to protect residents from heat waves and cold fronts.

Why foster climate resilience and equity

Californians are witnessing the escalating effects of climate change -- wildfires, landslides, floods and heat waves. Recent disasters have destroyed entire communities and have claimed human lives. While all feel the impacts of climate change, not all communities are equally impacted or prepared to adapt. Low-income and disadvantaged communities bear the biggest brunt of climate change and often have the least resources to respond and adapt when disaster strikes.

Our path toward greater resilience requires a deepened commitment to equity, which ensures that “the people and communities who are least culpable in the warming of the planet, and most vulnerable to the impacts of climate change, do not suffer disproportionately as a result of historical injustice and disinvestment.”¹⁵

How LIWP achieves this policy goal

- **Fostering energy resilience:** LIWP’s integrated energy efficiency and clean energy upgrades contribute to strengthened grid resilience in historically underserved communities by diversifying resources for energy generation and shifting and reducing peak demand.¹⁶
- **Fostering economic resilience:** LIWP-funded properties are projected to save low-income residents an average of 28% on energy bills. Lower utility bills help Californians absorb and respond to the growing financial energy burdens brought on by climate change.
- **Safeguarding residents’ health:** Weatherized housing is healthier housing, providing better protection against extreme heat and poor air quality, which in turn improve the comfort and health of low-income renters--particularly children, elderly, and differently abled residents. LIWP Multifamily projects, with their deep energy retrofits, go beyond typical weatherization to provide comprehensive, impactful upgrades that help safeguard residents from an ever-changing climate. Additionally, the program design includes tenant protections that go above and beyond to protect low-income renters from rent increases and displacement.

PROVIDING BENEFITS FOR FARMWORKER COMMUNITIES



- * To date, the California Department of Community Services and Development (CSD) has committed \$5M of LIWP Multifamily funding to farmworker housing.
- * In February 2019, CSD expanded program eligibility to include farmworker housing in any community, further broadening access to clean, renewable energy for farmworkers.
- * To date, LIWP multifamily is projected to provide deep energy retrofits and clean energy upgrades to more than 530 farmworker households throughout California.

About farmworker benefits

Farmworker households are among the state's most impoverished and vulnerable populations due to low wages, seasonal employment and direct exposure to increasingly hostile climatic conditions. Like other low-income families, farmworker families pay a disproportionate amount of their annual incomes on home energy needs, often sacrificing other necessities to pay their energy bills.

How LIWP achieves this policy goal

- **Supporting health:** LIWP Multifamily retrofits can help farmworker households stay cool during heat waves and can help improve indoor air quality on poor air quality days. At Casas de la Viña, ductwork for all residents was professionally cleaned and sealed, removing allergens that can cause respiratory issues or exacerbate asthma. When coupled with new energy efficient heat pumps, this upgraded HVAC system provides clean, healthy indoor air quality as well as reliable comfort and bill savings to farmworker residents. By switching combustion appliances such as furnaces and water heaters with heat pumps, LIWP Multifamily funds helped to reduce pollutants such as smog and asthma-producing NOx and other combustion by-products.

LIWP Participant Profile: Self-Help Enterprises

Nonprofit developer Self-Help Enterprises is leveraging LIWP to implement various upgrades across their farmworker portfolio for four properties (69 buildings) in the Central Valley. As a result, 213 farmworker households will benefit from energy savings of up to 95%, including savings from solar PV.¹⁷

- **Fostering economic resilience:** Residents at Casas de la Viña, a farmworker community in Madera county, are saving an average of 44% per month from deep energy efficiency upgrades. When coupled with bill credits from resident-benefiting solar installations, this farmworker community is projected to be near net-zero.

PROVIDING ENERGY UPGRADES TO HOUSING FOR PEOPLE EXPERIENCING HOMELESSNESS



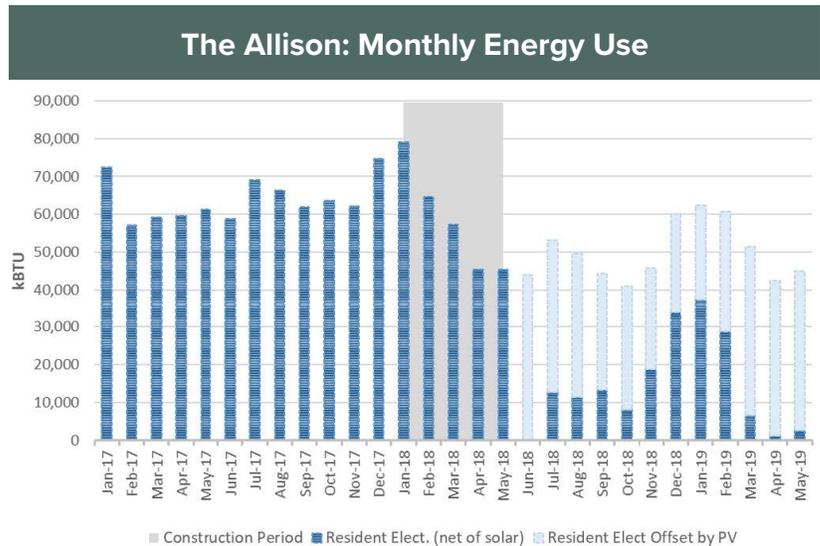
- * In 2020, CSD committed \$2M of LIWP Multifamily funds for upgrades to buildings that serve people experiencing homelessness.
- * LIWP Multifamily is expecting to provide energy efficiency and solar PV upgrades to more than 294 households with residents that have experienced homelessness.

About upgrades for housing serving people experiencing homelessness

Many regions across the state are grappling with an inability to provide decent shelter for the thousands of people experiencing homelessness. Operators of shelters and other forms of housing for unhoused individuals often have extremely limited operating funds, and typically do not have the ability to make necessary energy upgrades. Programs that provide funding for energy efficiency upgrades often overlook housing for people experiencing homelessness. In addition, homeless housing operators must navigate complex financing arrangements and contend with limited staff bandwidth.

How LIWP overcomes these barriers

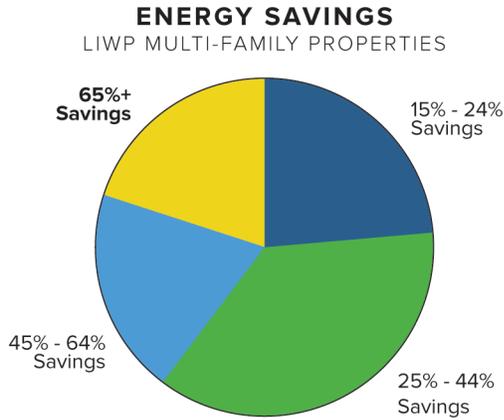
- Proactive portfolio outreach, education, and engagement
- Streamlined and flexible program eligibility guidelines and certification processes
- Customized incentive structure to encourage deep energy investments in targeted communities
- No-cost energy audits and comprehensive technical support throughout design and construction



LIWP Participant Profile: Wakeland Housing and Development Corporation

Wakeland Housing leveraged LIWP multifamily to provide top-to-bottom energy efficiency upgrades at The Allison, an aging supportive housing property. Wakeland sought to improve energy efficiency and decrease tenant utility bills and operating costs. As a result, households benefitted from energy savings up to 77%.

SUPPORTING PRESERVATION OF AFFORDABLE HOUSING



- * LIWP Multifamily properties have averaged 44% in energy savings.
- * 100% of LIWP Multifamily participants installed water-saving measures.

Barriers to affordable housing preservation

California is in a housing crisis, and existing affordable homes are at risk of being lost.¹⁸ To finance energy upgrades when preserving affordable homes, property owners must navigate structural barriers, including complex ownership and financing arrangements, lack of access to capital, limited reserves and staff capacity and tight development and resyndication timelines.

How LIWP overcomes these barriers

- **Enables capital investments that reduce operating**

expenses: LIWP incentives make possible whole-building energy upgrades that would otherwise be cost-prohibitive. These upgrades help owners significantly reduce long-term operating costs. With lower operating costs, owners can replenish their reserves and use cash flows to address deferred maintenance and increase resident services.

- **Reduces staff capacity barriers:** LIWP makes it easier for owners to thoroughly evaluate the energy efficiency and solar opportunities at their properties by providing free, expert technical assistance from initial scope development through construction,

| TOTAL ENERGY USE | kBTU | Cost |
|-----------------------------|----------------|-------------------|
| Annual Energy Use Pre-LIWP | 717,360 | \$13,585.66 |
| Annual Energy Use Post-LIWP | 233,716 | \$8,192.35 |
| Total Energy Savings | 484,644 | \$5,393.31 |

67% **40%**

Real Results: After LIWP Multifamily energy retrofits, Mercy Housing’s ArdenAire Apartments in Sacramento saves 40% per year in operating costs.

installation, and verification. LIWP Multifamily empowers participants to co-leverage other existing resources and programs to achieve maximum savings. The program also makes it easier for owners with properties across multiple utility territories to access incentives through a single program.

FUNDING AND ADVOCACY

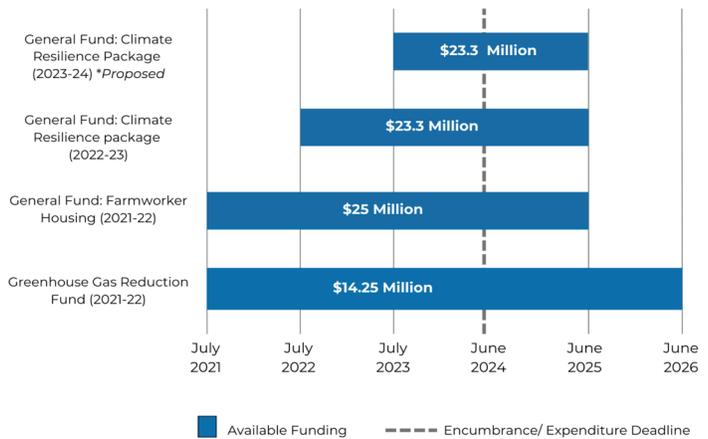


LIWP Multifamily has provided an exemplary model for state and local entities to implement comprehensive building decarbonization retrofits that serve frontline communities. Nowhere more apparent is this sentiment reflected than in the 2021 California State Budget. The Newsom Administration and the California Legislature have signaled their overwhelming continued support of the program and belief in the potential for LIWP-MF to enhance the resilience of communities most vulnerable to the climate crisis. What’s more, LIWP-MF continues to support a just and equitable transition of the state’s residential sector off fossil fuels.

In total, the 2021 State Budget allocated \$65 Million in funding from the General Fund and Greenhouse Gas Reduction Fund (GGRF) for LIWP-MF, administered across three years (2021-2024). In FY21-22, LIWP-MF received \$15 Million in funding. The remaining \$50 Million in funding is part of the Climate Resilience Package developed to provide substantial support to communities most at risk to climate change, with an emphasis on extreme heat.

Realizing the role that LIWP can serve in providing critical support to frontline communities in which there is an immediate need to address climate related impacts, policymakers have included within the Climate Resilience Package \$25 Million in funding for FY22-23, and an additional proposed \$25 Million in funding for FY23-24. The following graph illustrates all sources of funding allocated to the LIWP program under California's 2021 State budget.

LIWP Multifamily 2021 Budget Allocations



During the 2021 budget cycle, various organizations were essential in relaying to policymakers the benefits of the LIWP-MF program, as well as its contributions to California’s energy and climate goals. ***We thank all stakeholders who participated in advocacy related to supporting the LIWP program. Special thanks are also due to all of the member organizations of the the Energy Efficiency for All Coalition (EEFA) and the Building Decarbonization Coalition (BDC) for their continued advocacy toward ensuring that low-income and disadvantaged communities are provided the necessary support to participate in and share the benefits of California’s carbon free future.***

METHODOLOGY AND SOURCES

¹California Energy Commission et al., Clean Energy in Low Income Multifamily Buildings (CLIMB) Action Plan, November 2018. The number of households served is determined by the number of tenant units receiving LIWP upgrades.

²Program participation, energy savings and bill savings estimates for LIWP Multifamily were reported by program implementer Association for Energy Affordability on March 12, 2019. Savings estimates are projections of the 15-year lifecycle impact of LIWP Multifamily projects and/or aggregated resident and owner utility bill data when available.

³This estimate is based on the U.S. Environmental Protection Agency's GHG equivalencies calculator, available at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

⁴2018 NAA Survey of Operating Income & Expenses in Rental Apartment Communities: <https://www.naahq.org/news-publications/units/september-2018/article/survey-operating-income-expenses-rental-apartment>

⁵The Utility Reform Network (TURN), Living Without Power: Health Impacts of Utility Shutoffs in California, May 2018.

⁶American Council for an Energy-Efficient Economy (ACEEE), How High Are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burden Across the United States, September 2020.

⁷Office of Environmental Health Hazard Assessment, Analysis of Race/Ethnicity, Age, and CalEnviroScreen 3.0 Scores, June 2018.

⁸TURN report at pages 9, 18, 25-26.

⁹NPR, Neel, Joel, "NPR Poll: Financial Pain from Coronavirus Pandemic 'Much, Much Worse' Than Expected", September 2020.

¹⁰Pew Research Center, Economic Fallout From COVID-19 Continues to Hit Lower-Income Americans the Hardest, September 2020.

¹¹Harvard T.H. Chan School of Public Health, Coronavirus and Air Pollution, May 2020.

¹²UpLiftCA, Del Rosario, Johnsen, "Saving Money and Saving Energy in the Central Valley", September 2017. Note that Diana Guzmán's comment on utility bill savings was made before Casas de la Viña added solar.

¹³Measured in BTUs, or British Thermal Units, meaning the amount of heat required to raise the temperature of one pound of water by 1° at a constant of one atmosphere.

¹⁴Emissions from buildings include methane, electricity generation, fuel combustion and refrigerants.

¹⁵California Natural Resources Agency, Safeguarding California Plan: 2017 Update, May 2017.

¹⁶PSE Healthy Energy, Science Summary: Grid Resilience, August 2015.

¹⁷Figures are projected over the course of 15 years.

¹⁸California Housing Partnership, California's Affordable Rental Homes At-Risk, February 2020.

