



New Proposal Expands On-Bill Repayment to Unlock Private Capital for Multifamily Housing Energy Upgrades in California

Innovative Energy Efficiency Funding Mechanism Well Suited to Rental Housing

The California Public Utilities Commission (CPUC) recently put forward a proposal that would expand finance for energy efficiency upgrades beyond limited ratepayer funding through the development of an on-bill repayment (OBR) program. OBR enables third party private lenders, including banks, credit unions, lease finance companies, and bond issuers, to advance funds to energy contractors and then be repaid over time through a line item on their utility bill. The amount of debt paid in each bill is sized to be less than the energy savings resulting in a net decrease in monthly energy bills. This is potentially a very powerful tool for financing retrofits of rental housing, where energy costs and savings are typically split in various combinations between building owners and tenants.

No Up-front Costs & Net Benefits to Customers

Unlike debt financing, OBR can finance improvements to rental housing without requiring a deed of trust be recorded on the property. OBR has tremendous advantages for retrofitting publicly assisted low income rental housing, which typically have a dozen or more lienholders whose permission would have to be obtained prior to closing any loan. Because OBR is designed to be "bill neutral," that is the repayments are less than the savings, there is no negative impact on existing financing structure. Instead, OBR uses existing utility bill collection methods to ensure payment of both the utility bill and energy upgrade investment. Proponents note that nonpayment rates on utility bills are low compared to other debts, and thus lenders would be able to offer lower interest rates and better terms. There is also discussion of a potential loan loss reserve or loan guarantee to encourage lenders to offer loans at reasonable rates.

Potential OBR Upgrades:

- Water Heaters
- Furnaces
- HVAC Controls
- Solar Panels
- Attic Insulation
- Window Sealing
- Refrigerators

Multi-Family Housing Would Benefit from OBR

The new OBR rules would allow repayment to be tied to the utility meter, as opposed to the individual account holder, allowing OBR to be transferred whenever ownership or tenancy changes. However, strong consumer protections will be needed to ensure that energy savings exceed debt payments, that ratepayers enter into these agreements knowingly and well informed and that ratepayer utility disconnections and credit report impacts (if allowed at all) are minimized. Low income renters in particular will need to be protected from any adverse consequences from badly designed OBR financed improvements.

CHPC Developing Multi-Family OBR Pilot in Southern California

CHPC is currently working with Stewards for Affordable Housing for the Future on developing a pilot plan to test the OBR mechanism. CHPC President/CEO, Matt Schwartz, will be presenting an overview of the pilot at a CPUC workshop on Thursday, February 9th. For more information on the workshop and on the CHPC Pilot, contact Ross Nakasone: rnakasone@chpc.net.

CHPC thanks our sponsors for their generous support of our GREEN program.



FOR MORE INFORMATION:

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