



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: December 14, 2004

TO: Board of Supervisors

SUBJECT: PROMOTING ENERGY EFFICIENCY AND AFFORDABLE HOUSING
(DISTRICT: ALL)

SUMMARY:

Overview

The goal of an environmentally friendly and efficient San Diego will be reached through a variety of creative approaches, and today's action provides a step toward reaching that goal. Many of the housing projects in the San Diego County Department of Housing and Community Development's (HCD) jurisdiction are funded by tax credits and are eligible to receive additional credits and funding for including energy efficiency upgrades and on-site generation. Adoption of Energy Efficiency-Based and On-Site Utility Allowances and implementation of the "Designed for Comfort: Efficient Affordable Housing" program will lower utility bills, save energy and provide a long-term mechanism for owner-developers to recover their investment in energy efficiency and on-site generation. This policy demonstrates our County's commitment to reduce the region's reliance on outside energy sources, and an understanding of the correlation between energy savings, home affordability, and comfort.

Recommendation(s)

SUPERVISOR ROBERTS AND SUPERVISOR HORN:

Direct the Director of the San Diego County Department of Housing and Community Development to adopt and implement the following:

- 1) Energy Efficiency-Based Utility Allowances;
- 2) On-Site Generation Utility Allowances;
- 3) the Designed for Comfort: Efficient Affordable Housing Public Service Program.

Fiscal Impact

No impact to the General Fund is associated with this action. The Heschong Mahone Group, Inc. (HMG) is implementing the "Designed for Comfort: Efficient Affordable Housing" program, which is funded by ratepayers through the California Public Utilities Commission. Any pilot program that is implemented in San Diego County will be funded by Heschong Mahone. The program can be administered with existing staff and resources.

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Business Impact Statement

N/A

Advisory Board Statement

N/A

BACKGROUND:

Our Board has consistently sought new ways to increase affordable public housing, while maintaining practices that enhance its chance for success. For tenant and owner alike, utility costs can be an insurmountable burden that can lead to the failure of the project or the homelessness of the tenant. The California Public Utilities Commission recognizes the need to promote reduced energy consumption in affordable housing projects, and has funded a program to assist owners and builders of affordable housing to incorporate energy efficiency and on-site generation into their new and rehabilitation projects. By utilizing this program, we will help increase the economic viability of affordable housing projects, while at the same time working toward our Board's goal of energy independence for our region by promoting energy efficiency and use of solar energy systems.

Energy Efficiency-Based and On-Site Generation Utility Allowance Schedules

Energy Efficiency-Based Utility Allowances (EEBUA) allow owners and developers to recover their investment in energy efficiency and on-site generation in rehabilitation and new construction projects. An Energy Efficiency-Based Utility Allowance (EEBUA) works on the principle that if a project is energy efficient, the utility allowance can be lowered, thereby allowing the savings amount to be added to the owner's rent, increasing project cash flow and enhancing the viability of affordable housing projects. This results in positive benefits with no adverse effects on the tenant.

If an owner-developer provides on-site generation, such as a photovoltaic installation that covers all or part of the tenants' electrical needs, the electric portion of the bills could also be diverted to the owner to help finance the cost of the on-site generation system. In this case, avoiding any adverse impact on the tenants can be assured if the owner-developer agrees to pay any electric portion of the bill. While the Energy Efficiency-Based Utility Allowance (EEBUA) model is based on a specific level of energy efficiency, the model also has a factor built in ensuring that part of the cash benefit of the energy efficiency improvements will flow to the tenants as well as the owner-developer.

These alternative utility allowance schedules are based on the existing Standard Utility Allowance schedule published annually by the County Housing Authority. These rent schedules are used for rental units that are being subsidized with federal housing funds such as the Section 8, Community Development Block Grant and HOME Partnership programs. The EEBUA can be applied to both existing and new construction housing stock. Adopting these alternative utility allowance schedules does not eliminate the existing Standard Utility Allowance schedule, which will continue to be used for rental units of average energy use. However, any dwelling unit determined to be energy efficient may qualify for the Energy Efficiency-Based Utility Allowance. Those projects determined to meet the Housing Authority's criteria for adequate on-

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site generation may qualify for the On-Site Generation Utility Allowance schedule. In either case, participation is voluntary and the burden of proof is on the owner-developer who must provide state approved documentation that provides reliable information to verify energy efficiency or on-site generation installation.

For projects that are energy efficient (20 percent better than existing conditions for rehab projects, 15 percent better than 2001 Title 24 for new projects), owner-developers must provide California Energy Commission-approved compliance documentation using prescribed energy compliance software programs. They are also asked to provide a Home Energy Rating System report verifying installation of the measures identified in the compliance documentation. For projects that install on-site generation to serve the units, the owner-developer must follow procedures developed by the Housing Authority.

“Designed for Comfort: Efficient Affordable Housing” Public Service Program Assistance

The Hescong Mahone Group, Inc. (HMG) is implementing a public service program, “Designed for Comfort: Efficient Affordable Housing.” This program is funded by ratepayers through the California Public Utilities Commission. In February of 2004, HMG developed a report comparing the existing Standard Utility Allowance schedule to the Energy Efficiency-Based Utility Allowance schedule. The report (ATTACHMENT A) also shows the increased cash flow for a project resulting from the use of the Energy Efficiency-Based Utility Allowances and describes the methodology used to create them. The case study, contained in the reports, shows the impacts of an Energy Efficiency-Based Utility Allowance compared to that of the San Diego County Housing Authority’s Standard Utility Allowance schedule. A similar report describing the On-Site Generation Utility Allowance is also attached (ATTACHMENT B). At no cost to the Department of Housing and Community Development, HMG is funded to assist in developing, adopting, marketing and implementing this program through December, 2005. As a public service, HMG provides staff briefings and training for owner-developers on how to achieve maximum energy efficiency to qualify for the lowered utility allowances.

Once the policy is adopted, if Housing and Community Development decides to work with HMG, HMG will identify one or two energy efficiency rehabilitation project case studies for existing apartment building owners/projects. While the program has already been tested in other counties like Riverside County, funding these pilot projects will demonstrate the policy’s effectiveness and ease of implementation in our County.

The federal Department of Housing and Urban Development (HUD) has recognized the effectiveness of the Energy Efficiency-Based Utility Allowance schedule, and identified it as a “best practice” in its March-April edition of the online newsletter: “Public Housing Energy Conservation Clearinghouse News.” In that report, HUD highlighted the efforts of Riverside County to adopt and implement an Energy Efficiency-Based Utility Allowance schedule.

Qualifying for an Energy Efficiency-Based or On-Site Generation Utility Allowance

To qualify for an Energy Efficiency-Based Utility Allowance, a new construction project must exceed California’s State Energy Code, Title 24, by at least 15 percent. This requirement is

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consistent with the Investor Owned Utility energy efficiency residential new construction incentive program's performance threshold. A rehabilitation project can qualify if the owner improves energy efficiency by 20 percent over existing conditions. Improvements to meet either of these criteria must be verified by qualified third parties.

To qualify for an On-Site Generation Utility Allowance, an owner-developer must provide documentation that photovoltaics have been sized correctly and installed on the units to cover all, or a large portion of, the electric portion of the utilities. The owner-developer must agree to pay any electric portion of the bill not provided by the on-site generation to encourage appropriate system sizing and performance.

Conclusion

The goal of an environmentally friendly and efficient San Diego will be reached through a variety of creative approaches. Adoption of Energy Efficiency-Based and On-Site Utility Allowances and implementation of the "Designed for Comfort: Efficient Affordable Housing" program is one such approach. It will lower utility bills, save energy and provide a long-term mechanism for owner-developers to recover their investment in energy efficiency and on-site generation. This policy demonstrates our County's commitment to reduce the region's reliance on outside energy sources, and an understanding of the correlation between energy savings, home affordability, and comfort. We urge your support.

Respectfully submitted,

RON ROBERTS
Supervisor, District 4

BILL HORN
Supervisor, District 5

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COUNTY COUNSEL APPROVAL: Form and Legality Yes N/A
 Standard Form Ordinance
 Resolution

CHIEF FINANCIAL OFFICER/AUDITOR REVIEW: N/A Yes
4 VOTES: Yes No

CONTRACT REVIEW PANEL: Approved N/A

CONTRACT NUMBER(S):

PREVIOUS RELEVANT BOARD ACTION:

BOARD POLICIES APPLICABLE:

CITIZEN COMMITTEE STATEMENT:

CONCURRENCE(S):

ORIGINATING DEPARTMENT: Fourth Supervisorial District
Fifth Supervisorial District

CONTACT PERSON: Sharon Cooney (619) 531-4736
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