

San Joaquin Valley Pilot (SJV)

Workshop in Split Incentives and Tenant Protection

January 30, 2019

Presented by PG&E, SCE and SoCalGas

Agenda

- Welcome
- Introduction to the workshop
- Decision Direction
 - SOMAH and Weatherization Assistance Program
- Definition: Split Incentives and Tenant Protections
- California State Department of Community Services & Development (CSD) landlord agreement
- IOU Recommendation for Tenant Protection
- GRID Alternatives Proposal
- Group Discussion

San Joaquin Valley (SJV) Pilot Split Incentives Workshop

- Purpose of all pilots in SJV Decision D.18-12-015 is twofold: reduce energy costs and increase the safety and comfort of SJV residents.
- Pilots will improve property values of participant properties by:
 - Replacing up to four propane and/or wood burning appliances.
 - Installing weatherization improvements and upgrades in the home to reduce energy costs for low-income households by increasing the energy efficiency of their home.
- The Decision directs IOUs to identify a means to prevent property owners of residential rental units from increasing rents beyond reasonable market increases and evicting tenants without cause.

Language from SJV Pilot Decision

- “A central objective of the pilot is ensuring that all households, including those occupied by tenants, experience bill savings as a result of the pilot and do not suffer negative consequences.”¹
- “It is reasonable to require all pilot administrators to seek assurance from property owners that they will not significantly increase rents or evict tenants as a result of home improvements for five years following completion of pilot appliance installations.”¹
- “To address these concerns, the PAs may explore engaging a non-profit entity to administer property owner agreements stemming from the pilot, and such arrangements may be appropriate.”¹
- “The workshop should at a minimum, consider the federal Weatherization Assistance Program (WAP) and SOMAH property owner-tenant agreement or affidavit models, and other models as suggested by parties.”¹

¹ Decision Approving San Joaquin Valley Disadvantaged Communities Pilot Projects, p86.

Definition: Split Incentives and Tenant Protections

- Split Incentives occur when those responsible for paying energy bills (the tenant) are not the same entity as those making the capital investment decisions (the landlord or building owner).
 - In these circumstances, the landlord may not be inclined to make the necessary upgrades to building services when the benefits associated with the resulting energy savings accrue to the tenant.
- One method of addressing split incentives issues is to provide tenant protections in the landlord agreements.
 - Include language in the agreements that seeks to prevent property owners of rental units (multifamily or single family residences) from increasing rents beyond reasonable market increases and evicting tenants without cause.

IOU Process to Address Tenant Protection

- IOUs met with external parties to discuss the issue of tenant protection
 - GRID Alternatives
 - Self Help Enterprises and Greenlining
- IOUs discussed the California WAP agency-landlord agreement
 - PG&E met with Jason Wimbley, Deputy Director of the CA Department of Community Services and Development (CSD), and discussed enforcement of the CA Weatherization Assistance Program (WAP) agreement. CSD administers the federal WAP funds in CA.
- IOUs reviewed ESA Program
 - IOUs were not monitoring ESA Program language agreements limiting property owner's ability to increase rents or evict tenants as a result of weatherization improvements to the home.
 - IOUs have removed this language from the agreements.

WAP Agency-Landlord Agreement

- In Texas: MF property owner/landlord WAP agreement includes provisions limiting rent increases and evictions:
 - Any rent increase must be demonstrably related to matters other than weatherization work performed.
 - Evictions must be for just cause, and unrelated to weatherization work.
 - Landlord swears property is not for sale.
 - Landlord agrees to obtain in writing any future purchaser consent to assume Landlord obligations under Agreement, or Landlord will pay full cost of weatherization pro-rated by number of months left in agreement.
 - Agency and Landlord agree tenants are beneficiaries of weatherization work, and current/future tenants are provided a copy of agreement.
 - Specifies damages for breaching agreement terms.
- In CA: CSD has never enforced these Landlord provisions.
 - Previous work was not focused on MF buildings
 - Single-family renters: Very rare cases triggered by tenant rent increase or eviction. These were investigated to understand the basis. Usually, property owner was able to substantiate the action as unrelated to weatherization work. No one recalls a case where formal action was taken.
 - CSD is reliant on tenant informing them of service agreement violations and tenants are made fully aware of service agreement terms and conditions.
 - More recent experience with LIWP-MF: focus is on deed-restricted/affordable housing with 10+ years remaining on affordability covenants.

IOU Recommendations for Discussion

- Pilot enrollment materials would include two agreements for pilot participation
 - Customer consent for appliance replacement;
 - Landlord agreement containing language limiting rent increases to reasonable market rates and protecting customers from unwarranted evictions for five years per Decision.
 - IOUs recommend a three-year period driven by pilot timeframe and approved budgets in Decision.
- Non-profit entities supporting the implementation of the pilots would enter into an agreement with the landlords
 - Agreement language would reference limiting rent increases to market rates and prevent evictions without cause.
 - Non-profit entity and landlord are holders of the agreement.
 - Customer is not a signatory; however, the non-profit entity would:
 - Inform customer of the agreement;
 - Upon request, provide customer with a copy of the agreement signed by both landlord and non-profit entity.