



Multifamily Housing Strategy Guide

Financing Sustainability Measures

One of the greatest challenges to improving sustainability of multifamily housing properties is the high up-front cost of some energy and water efficiency measures. To help overcome this barrier, utilities and local, state and federal governments have created innovative financing and incentive programs. These programs generally include rebates on equipment, tax incentives, grants, or low-interest loans, and they vary greatly from location to location. This strategy guide includes an overview of some of the most commonly available funding mechanisms and financing strategies to support sustainability initiatives.

Utility Programs

California electricity, gas, and water utilities offer financial incentives for installation of energy efficient systems and equipment. These rebates are available for a variety of energy efficient products including lighting, HVAC equipment, high-efficiency appliances, and energy management controls. Incentive types and magnitudes vary; contact your water, electricity, and gas service providers for more details on what retrofits are covered by their programs.

Internal Funds

The most direct way to pay for energy efficiency improvements is to allocate funds from capital reserve budgets. Financing internally has two advantages over other options: it retains all savings from increased energy efficiency, and it is usually the simplest option administratively. All or some of the resulting savings may be used to decrease overall operating expenses in future years or be retained as a revolving fund to support additional efficiency investments. Because comprehensive energy efficiency improvements often have simple paybacks of 5 to 6 years and can be very capital-intensive, internal funds cannot realistically be expected to serve as the sole source of financing for such improvements. However, internal funding can be used profitably to achieve more competitive rates when combined with other financing options.

Energy Performance Contracting

Energy performance contracts are generally financing or operating leases provided by an Energy Service Company (ESCO). These contracts provide guaranteed energy savings from the installed retrofit measures, with a range of associated design, installation and maintenance services. Under an energy performance contract, the ESCO provides a service package that typically includes the design, engineering, financing, installation, and maintenance of retrofit measures to improve energy efficiency. The scope of the improvements can range from lighting upgrades in a single building to a complete sustainability package for an entire portfolio. Generally, the service provider will guarantee savings as a result of improvements in both energy and maintenance efficiencies. These contracts are typically structured with a flat-fee payment to maintain a positive cash flow to the customer and provide a turn-key option for property owners and managers.

Financing Resources

Utility Programs

[SCE](#)

[PG&E](#)

[SDG&E](#)

[LADWP](#)

[SMUD](#)

[Southern California Gas Company](#)

[Metropolitan Water District](#)

[California Water Service Company](#)

On-Bill Financing Programs

[City of Berkeley](#)

[City of Palm Desert](#)

[Sonoma County](#)

State & Federal Programs

[Database of State Incentives for Renewable Energy](#)

[ARRA](#)

[CA Economic Recovery Portal](#)



Bulk Purchasing

Multifamily housing owners and managers can help reduce the costs of energy efficiency retrofits by utilizing bulk purchasing to obtain discounts on the price of materials. By bulk purchasing for multiple units and/or properties, multifamily housing owners can save money and improve the sustainability of their entire portfolio through a single action. For more information on bulk purchasing of Energy Star appliances visit: www.quantityquotes.net.

On-Bill Financing

On-bill financing programs allow the upfront cost of energy, water and gas efficiency improvements to be paid over time through a charge on monthly utility bills or annual property taxes. These programs allow property owners to spread costs over the life of an improvement and directly connect up-front capital costs to avoided energy costs. While on-bill financing has historically only been available through utilities, the passage of AB 811 in July 2008 authorized local governments to also offer on-bill financing. In these programs, a city gives property owners low-interest loans for energy efficiency improvements that are paid back through an annual assessment on property taxes. These loans are typically for a period of 5-20 years (for the life of the improvement) and often pair energy efficiency improvements with rooftop solar panel installations. This type of program is already in place in [Berkeley](#), [Palm Desert](#), and [Sonoma County](#), and many other cities throughout California are in the process of developing similar programs.

ARRA Grants

Another source for grants for green retrofits is through the American Recovery and Reinvestment Act of 2009 (ARRA). Within ARRA there are several grants for energy efficiency in multifamily housing including Weatherization Grants, Energy Efficiency Community Block Grants, and Green Retrofit Grants for Multifamily Housing. These grants are being administered by a wide variety of local, state, and federal agencies and have differing magnitudes and eligibility requirements. For more information on grants available through ARRA visit: <http://portal.hud.gov/portal/page/portal/RECOVERY>.

About the California Sustainability Alliance

The California Sustainability Alliance (Alliance) is an innovative market transformation program co-managed by Navigant Consulting, Inc. and The Public Sustainability Partnership and administered by Southern California Gas Company on behalf of utility customers under the auspices of the California Public Utilities Commission. The mission of the Alliance is to increase and accelerate the adoption of energy efficiency in combination with complementary sustainability measures such as renewable energy, water efficiency, greenhouse gas reduction, waste reduction, smart planning and growth, and transit-oriented development.

If you are a multifamily housing property owner or manager and would like to consult with the Alliance on greening your properties, please visit our website at www.sustainca.org or contact us at info@sustainca.org.