



OFFICE OF THE GENERAL MANAGER

Los Angeles Housing Department **LAHD**

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Antonio R. Villaraigosa, Mayor
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April 24, 2013

Ms. Shelby Livingston
Chief
Climate Change Program and Management Branch
California Air Resources Board (ARB)
1001 "I" Street
Sacramento, CA 95814

Via www.arb.ca.gov/lispub/comm/bclist.php

Re: Cap-and-Trade Auction Proceeds 3-Year Investment Plan Comments

Dear Ms. Livingston:

The establishment of Cap-and-Trade clearly demonstrates California's continuing leadership in environmental stewardship. As stated in the Investment Plan, the California Environmental Protection Agency, the Air Resources Board and the Department of Finance (DOF) recognize that affordable housing, in particular Transit-Oriented Development (TOD), is critical to achieving greenhouse gas emission targets established in AB 32. It is heartening to see that stakeholder input has been incorporated through the Transit Oriented Affordable Housing projects recommended for funding in the 3-year Investment Plan. The City of Los Angeles is also pleased that the California Department of Housing and Community Development (HCD) is a partner in implementing the Investment Plan. Collaboration across state agencies is critical to collectively reduce emissions.

In Los Angeles, Cap-and-Trade auction proceeds investment in Transit-Oriented Development would be leveraged by local dollars. The City of Los Angeles unanimously adopted the first Transit-Oriented Consolidated Plan in the nation. With unprecedented investment in public transportation infrastructure, Los Angeles has an opportunity to continue to strategically invest its affordable housing funds near transit. For the next five years, the City of Los Angeles will invest approximately \$90 million a year of its federal entitlement resources in disadvantaged communities. As a result of diminishing local resources, the city needs State funding in order to continue its affordable housing development along transit corridors to create thriving, sustainable and affordable communities that reduce greenhouse gas emissions.

The City of Los Angeles would like to take this opportunity to provide recommendations for additional opportunities where housing and greenhouse gas reduction efforts can share common goals.

Los Angeles is the largest city in the state and has approximately 120,000 multi-family rental properties, totaling 790,000 units. Through our Systematic Code Enforcement Program (SCEP), the city systematically inspects all residential rental properties with two or more housing units on a four-year cycle. Every month, approximately 13,000 units are inspected by the city to ensure the habitability and safety of the units. The potential to reduce greenhouse gas emissions through interventions in this large stock of multi-family housing is tremendous. An immediate opportunity for greening the existing housing stock is available through the city's daily interactions with property tenants and owners.

Fund Multi-Family Energy Audits

The Gateway to Green utilizes energy surveys as part of an innovative pilot program that identifies properties that can benefit from energy and water efficiency interventions and informs property owners - in person - about a variety of cost-saving options available for conservation. Gateway to Green builds on the Systematic Code Enforcement Program by directing the Los Angeles Housing Department (LAHD) inspectors to perform energy and water surveys of multi-family rental properties (approximately 790,000 units every 4 years). The identification of properties is essential to strategically deploy and target resources for housing-related greenhouse gas emissions, water conservation, and energy efficiency.

Pilot implementation of Gateway to Green in 2012 confirmed the value of energy audits as they demonstrated the return on investment which could be achieved for each retrofit action, from changing light bulbs to adding a photovoltaic system. The energy audits revealed that investment in certain retrofit work has a reasonable payback period, making some retrofit actions financially attractive and worthwhile for a building owner to implement. As a result, the City has identified an energy audit as a necessary tool to help identify the energy and water efficiency potential of multi-family properties and help the City achieve its energy and water reduction goals.

Recommendation: Prioritize funding for innovative programs that capitalize on existing infrastructure such as energy efficiency audits in multi-family properties through the Energy Efficiency & Clean Energy investment priority category.

Multi-Family Affordable Housing Retrofit Funding

With Energy Efficiency and Conservation Block Grant (EECBG) funding, the Los Angeles Housing Department developed the Multi-Family Retrofit Program, which provided \$3.7 million in funding for ten properties to achieve at least 20 percent improvement in energy efficiency by completing retrofit work. Some properties exceeded this goal and achieved 30 percent improvement. This investment leveraged LAHD's Affordable Housing Trust Fund. Retrofit work included projects such as new appliances, new windows, more efficient HVAC systems, and faucet aerators. Additionally, a funding award required an extension of the property's affordability period, thereby helping to keep multi-family properties affordable for a longer time and promoting the continued use of transit.

Demand for these funds exceeded availability of funds. Funds to finance multi-family retrofit in affordable housing projects are needed to complement the other sustainable efforts in Los Angeles. The LAHD learned from the Multi-Family Retrofit Program that funds are best awarded through a loan fund or another financing mechanism, rather than through individual loans. This would maximize public monies by allowing for additional private sector leverage

and allow for more flexibility in project design and time to perform.

Many of the Multi-Family Retrofit funded projects are participants in President Obama's Better Buildings Initiative which is a broad, multi-strategy effort to reduce by 20 percent the energy intensity in commercial and industrial sectors by 2020. Los Angeles has responded to the call to action and has enhanced the effort with the inclusion of multi-family buildings.

Recommendation: Prioritize energy efficiency retrofit funding for affordable multi-family properties through the Energy Efficiency & Clean Energy investment priority category.

HCD to Participate in Other Priority Investment Areas

California Department of Housing and Community Development (HCD) is an important stakeholder in energy efficiency given the significance and role of housing in energy efficiency and weatherization. We support the inclusion of HCD in the joint decisions for expending the Cap-and-Trade auction proceeds on energy efficient programs. This ensures appropriate coordination and allocation of resources across departments. In addition, it includes housing experts in decisions that impact the housing stock.

Recommendation: Include the California Department of Housing and Community Development (HCD) as a partner agency in the Energy Efficiency and Clean Energy investment priority category

Weatherization of Multi-Family Properties

Connecting the weatherization program with the affordable multi-family housing stock, including for example the energy efficiency audits in our previous recommendation, is key to unlocking the great potential for increasing energy efficiency in thousands of homes and reducing energy costs for low-income households. Through the HCD, weatherization funds can be directly allocated to the local housing finance agencies. These agencies are uniquely positioned to communicate the benefits of weatherization and enroll income-eligible households in the program.

Recommendation: Integrate Weatherization funds, a low cost, high yield investment, with other housing programs and require a dedicated allocation specifically for affordable multi-family properties

Los Angeles is eager and well positioned to work with state and local partners to ensure the housing industry collaborates with transportation and environment partners to achieve goals established in AB 32 and SB 535. I respectfully request that you consider our recommendations. If you have any questions on these matters, please contact the Policy and Planning Unit Director, Claudia Monterrosa at (213) 808-8650.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mercedes Márquez', followed by a small 'for' in cursive.

Mercedes Márquez

Deputy Mayor for Housing and General Manager Los Angeles Housing Department