



DATE: July 9, 2019
TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT: Adopt a Resolution to Terminate the Green Hayward PAYS Pilot Program

RECOMMENDATION

That the Council adopts a resolution (Attachment II) to terminate the Green Hayward PAYS® pilot program effective December 31, 2019.

SUMMARY

The Green Hayward PAYS® (Pay-As-You-Save) pilot program has been available to multifamily property owners since the summer of 2015. To date, only six projects have been completed using the PAYS® on-bill repayment program. The Bay Area Regional Energy Network (BayREN) is developing a regional Water Bill Savings Program (WBSP) intended to replace and expand on the existing on-bill repayment programs offered by Hayward and other water agencies.

City Council Sustainability Committee Review

On May 13, 2019¹, the City Council Sustainability Committee recommended termination of the Green Hayward PAYS® program due to low participation. The Committee encouraged staff to work with BayREN to help design the regional program such that it addresses the lessons learned and improves upon Hayward's pilot program. The Committee asked that staff return with more details about the regional WBSP.

BACKGROUND

The Green Hayward PAYS® (Pay-As-You-Save) On-Bill Conservation and Efficiency Financing Pilot Program was designed to allow multifamily property owners to have energy efficiency and water conservation improvements installed with low to no upfront costs. Participating owners pay for the improvements with a surcharge on their water bill. To qualify, installed improvements must provide for at least \$1.00 in savings for every 80 cents of the surcharge so that participants see a net reduction in their bill when the surcharge is added.

¹ Report is available at <https://hayward.legistar.com/LegislationDetail.aspx?ID=3946055&GUID=96CFF361-EA32-4CCB-AED2-02A6858A73CB&Options=&Search=>

The Green Hayward PAYS® program was established with assistance from the Bay Area Regional Energy Network (BayREN). BayREN also supports two other similar programs; they are the Town of Windsor's Efficiency PAYS® and the East Bay Municipal Utility District's (EBMUD) On-Bill Program. Windsor's program was active from 2012 through 2015 and is currently on hold while program changes are being considered. EBMUD's program is a small pilot program with a \$150,000 budget and only three projects installed since 2016. More information about the City's PAYS® Program is available on our website².

For more background about the PAYS program, please see the staff report from the May 13, 2019 Sustainability Committee meeting.

DISCUSSION

Program Participation – In the almost four years since the pilot program launched, six properties have completed upgrades, totaling 161 units and using \$143,651 of the \$1,000,000 dedicated to the program. In September 2017, only four properties had participated in the program. In an effort to stimulate interest in the program, Council approved changes to the program terms to allow participants to choose a repayment period of less than ten years and to allow for prepayment without penalty. Since that time, two additional properties completed upgrades. In addition to the six participants, two multifamily properties totaling 23 units completed upgrades on their own due in part to the marketing efforts of the PAYS® program. These properties received assessments from the PAYS® contractor and decided to complete the upgrades but declined to use the on-bill financing. While the pilot program has resulted in significant water, energy, and bill savings for participating properties, the limited number of projects completed indicates that the program has been largely unsuccessful.

Bill Analysis for Four Participating Properties – Staff conducted bill analysis for four of the six participating properties. One property is a condominium homeowner's association, which presented difficulty obtaining the appropriate utility bill information. For one property, staff is still gathering the necessary bill data to perform an analysis. Of the four properties analyzed, three achieved actual bill savings higher than their projected bill savings. The fourth property achieved lower actual savings than what the program contractor, Bottom Line Utility Solutions, had projected. This customer achieved reductions in their water usage, but the energy upgrades did not perform as well as expected. BLUS and Frontier Energy, the certification agent for the program, have adjusted their calculations so this error should not occur with future projects. More details about the bill analysis completed for participating properties is available in the staff report from the May 13, 2019 Sustainability Committee meeting.

Survey Results – BayREN commissioned a study to evaluate the Green Hayward PAYS® program as well as the Windsor Efficiency PAYS® and EBMUD On-Bill programs. The study was completed in late 2018 and published in February 2019. Authors of the study contacted program participants as well as those who received offers from the program contractor but elected not to participate ("near participants"). Researchers talked to four of the five

² www.Hayward-ca.gov/PAYS

participants in Hayward (representing 5 of 6 accounts). They also conducted brief interviews with 6 of 12 near participants (representing 7 of 13 accounts). Below are some key findings of the study:

- All participants were highly satisfied with the program.
- The contractor said that for many busy multi-family rentals, water savings are “peanuts” relative to rents and the fact that entering a tenant’s unit can make them upset.
- Near participants commented that the proposed measures were too expensive, and the interest rate was too high.

Potential Regional Water Bill Savings Program – BayREN is developing a Water Bill Savings Program (WBSP) for Bay Area water utilities. The program has been made possible by SB 564, the Water Bill Savings Act, which was signed into law by Governor Brown in 2017. The law enables a Joint Powers Authority to issue bonds and loan the proceeds to local water agencies. On March 21, 2019, the Association of Bay Area Governments (ABAG) Executive Board received an informational report on the program and expressed interest. The program is expected to be ready to launch by the end of 2019. BayREN would fund the program, which would allow Hayward to offer a PAYS program requiring minimal City resources.

One issue of concern identified by staff is that the regional WBSP would require participating utilities to submit repayment for installed improvements regardless of collections. In other words, if a Hayward property owner participates in the program and then does not pay their full water bill, the City would still be responsible for paying the surcharge to BayREN on their behalf. In lieu of requiring participating utilities to repay the program regardless of collections, the program could establish a loan loss reserve; however, this would increase overall program costs and would require all participants to pay higher fees to fund the reserve. The program requires screening of potential participants and will only extend an offer to customers in good standing, which should limit the chances of a participant with delinquent payments.

While Hayward’s participation in the WBSP would free up City funds allocated to program, the City’s involvement would be similar to the existing pilot program. The City would no longer have contracts with suppliers, contractors and the certification agent, but the City would still be responsible for assistance with marketing and for applying surcharges to water bills. Staff is currently working with BayREN to ensure that lessons learned from the pilot program’s participants and near participants are considered so that the regional program is designed to be more successful than the City’s pilot program.

ECONOMIC IMPACT

The Green Hayward PAYS® Program intended to benefit multifamily residents and property owners who are able to take advantage of the opportunity to improve energy and water efficiency in their homes with no up-front costs and no increases in their overall utility bills.

FISCAL IMPACT

Only \$143,651 of the \$1,000,000 allocated from the Water Improvement Capital Fund has been spent. This amount will be paid back over time with interest through a surcharge on each participating customer's water bill. If Council terminates the pilot program, the remaining \$856,349 will be returned to the Water Improvement Capital Fund.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objective:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

Objective 4: Create resilient and sustainable neighborhoods

This agenda item also supports the Tennyson Corridor Strategic Initiative. The purpose of the Tennyson Corridor initiative is to develop an attractive, cohesive, thriving Tennyson Corridor through thoughtful engagement of residents, businesses and community partnerships. This item supports the following goal and objective:

Goal 5: Increase Community Resiliency.

Objective 6: Reduce resident utility bills through efficiency

SUSTAINABILITY FEATURES

Water: Access to on-bill financing through the PAYS program enables water upgrades, which reduce Hayward's per capita water consumption.

Energy: Access to on-bill financing through the PAYS program enables energy efficiency upgrades, which reduce the community's reliance on fossil fuels.

PUBLIC CONTACT

Outreach related to the Green Hayward PAYS® program focused on owners and managers of multifamily properties. Since July 2017, staff worked with Frontier Energy to conduct 664 communications (mailers, outreach calls, etc.) to Hayward multifamily owners and managers. In addition, two case studies were developed and shared with prospective participants. In early June, a letter was mailed to all multifamily water customers letting them know that they have until June 28 to sign up for the program.

NEXT STEPS

Upon adoption of the attached resolution, staff will stop accepting new projects. Any projects that have contracts signed prior to Council's adoption of the resolution will be required to complete installation by December 31, 2019. Staff plans to continue to work with BayREN to assist with the final program design of the WBSP and will return to the Council Sustainability Committee for consideration of the City's participation.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager