

Date of Hearing: June 19, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

SB 1118 (Eggman) – As Amended April 22, 2024

SENATE VOTE: 33-3

SUBJECT: Solar on Multifamily Affordable Housing Program

SUMMARY: Exempts property that is owned by a tribe from the requirement that it be “deed-restricted” affordable housing to meet eligibility under the Solar on Multifamily Affordable Housing (SOMAH) Program, and instead requires tribal property to have received public financing to fund affordable housing through specified programs.

EXISTING LAW:

- 1) Grants the California Public Utilities Commission (CPUC) with regulatory authority over public utilities, including electrical corporations. (Public Utilities Code § 701)
- 2) Establishes the Multifamily Affordable Housing Solar Roofs Program – also renamed SOMAH – and authorizes the CPUC to award, through December 31, 2032, monetary incentives for qualifying solar energy systems that are installed on multifamily residential properties of at least five rental housing units that are operated to provide deed-restricted low-income residential housing, and that meet one or more of the following requirements:
 - a. The property is located in a disadvantaged community (DAC), as identified by the California Environmental Protection Agency.
 - b. At least 66% of the households have incomes at or below 80% of the area median income.
 - c. The property is owned by a tribe.
 - d. The property is rental housing property that is owned by either a public housing authority or a public housing agency. (Public Utilities Code § 2870)
- 3) Defines a “California Native American tribe” to mean a Native American tribe located in California that is on the contact list maintained by the Native American Heritage Commission. (Public Resources Code § 21073)
- 4) Defines “low-income residential housing” to be a multifamily residential complex financed with specified monies that provide that the rents of the occupants who are lower income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance. (Public Utilities Code § 2852)
- 5) Requires the CPUC to allocate up to 15% of revenues received by an electrical corporation as a result of the direct allocation of greenhouse gas (GHG) allowances to electrical distribution utilities to be used for clean energy and energy efficiency projects, such as SOMAH, and otherwise requires revenues to be credited directly to residential,

small business, and emission-intensive trade-exposed customers. (Public Utilities Code § 748.5)

- 6) Requires every electric utility, defined to include electric investor-owned utilities (IOUs), local publicly-owned electric utilities (POUs), and electrical cooperatives, to develop a standard contract or tariff for net energy metering (NEM), for generation by a renewable electrical generation facility, and to make this contract or tariff available to eligible customer-generators until the time that the total rated generating capacity used by eligible customer-generators exceeds five percent of the electric utility's aggregate customer peak demand. (Public Utilities Code § 2827)
- 7) Requires the CPUC, for large electrical IOUs, to have developed a second standard contract or tariff to provide NEM to additional eligible customer-generators in the IOU's service territory and imposes no limitation on the number of new eligible customer-generators. Requires the CPUC, in developing the second standard contract or tariff, to include specific alternatives designed for growth among residential customers in DACs. (Public Utilities Code § 2827.1)

FISCAL EFFECT: According to the Senate Committee on Appropriations, this bill could add unknown but potentially significant ongoing cost pressure to the state as an electrical customer due to expanded SOMAH eligibility and reduced cap-and-trade allocations as a result of that expansion, while the CPUC anticipates minor and absorbable costs.

BACKGROUND:

Embracing solar in California – Under directive of AB 32 (Núñez, Chapter 488, Statutes of 2006), also known as the California Global Warming Solutions Act of 2006, the California Air Resources Board developed a Scoping Plan describing the approach California will take to reduce GHGs and created a market mechanism for the auctioning of GHG proceeds to incentivize utilities and industries throughout the state to reduce their greenhouse gas emissions, improve the efficiency of their operations, and move toward cleaner forms of energy. This mechanism, known as the California GHG Cap-and-Trade Program, has been instrumental in California's clean energy transition.

In a wide effort to bolster clean energy ambitions, the Legislature also passed SB 1 (Murray, Chapter 132, Statutes of 2006), which authorized the CPUC to launch the California Solar Initiative (CSI), an unprecedented \$3.3 billion ratepayer-funded rebate program with the goal of installing 3 gigawatts (GW) of new grid-connected solar over the next decade. CSI had historical programs that provided incentives for low-income customers in single and multi-family housing to install solar photovoltaic (PV) systems.

Low solar adoption in disadvantaged communities – California's solar initiatives have made solar a cornerstone of the state's clean energy goals to date. California currently ranks first amongst states in generating solar energy, with nearly 47 GW of solar installed.¹ However, despite some targeted efforts to encourage the adoption of solar in DACs, solar adoption rates in California's most disadvantaged communities remain far lower than in the state's moderate- and

¹ Solar Energy Industries Association; "California Solar"; <https://www.seia.org/state-solar-policy/california-solar>.

high-income communities.² Low-income households face numerous barriers to accessing solar power, including high upfront costs, lack of access to financial instruments, lack of information, and split incentives between owners and renters.³

Solar on Multifamily Affordable Housing program – Established by AB 693 (Eggman, Chapter 582, Statutes of 2015), the SOMAH program continues efforts to expand solar capacity in the state to DACs by providing incentives for solar PV systems to qualified multifamily affordable housing. The CPUC directs up to \$100 million annually, and up to \$1 billion over 10 years, from the portion of the IOUs’ GHG emissions auction proceeds that is authorized to be programmed for clean energy or energy efficiency programs. The SOMAH program seeks to incentivize the installation of at least 300 megawatts (MW) of solar power by the end of 2032. So far, the program has awarded 453 projects totaling 72 MW of reserved capacity.⁴ More than \$500 million in incentive funding for SOMAH currently remains available across all IOUs,⁵ as detailed in Table 1.

IOU	Total Budget (\$)	Application Totals (\$)	Remaining Budget (\$)
Pacific Gas & Electric	254,361,004	74,336,732	180,024,272
Southern California Edison	310,593,729	58,780,344	251,813,385
San Diego Gas & Electric	80,607,112	22,125,572	58,481,540
PacifiCorp	8,347,570	0	8,347,570
Liberty	2,153,055	280,540	1,872,515
Total	656,062,470	155,523,188	500,539,282

Tribal participation in SOMAH – Passed in 2023, SB 355 (Eggman, Chapter 393, Statutes of 2023) expanded explicit eligibility for SOMAH to tribes. Since then, enhanced efforts are underway to emphasize tribal communities as a priority group in SOMAH.⁶ For example, application deposits are often waived to decrease the financial barrier to participation. To increase applications on tribal lands, the SOMAH program administrator reports efforts on increased engagement with tribal entities, including conducting research on the structure of tribal entities and points of contact and creating an application resource document for special considerations for tribal properties. The first tribal solar project under SOMAH was completed in late 2023: a 49-kilowatt system by the Bishop Paiute Tribe to serve 24 apartment homes.

COMMENTS:

- 1) *Author’s statement.* According to the author, “In 2015, we made a promise to Californians that we were going to bring the financial benefits of rooftop solar to those in

² Canary Media; “How will low-income Californians access home solar and batteries?”; December 2022.

³ Physicians, Scientists, and Engineers for Healthy Energy; “Distributed solar and environmental justice: Exploring the demographic and socioeconomic trends of residential PV adoption in California”; *Energy Policy*; November 2019.

⁴ SOMAH; “About SOMAH: Program Impacts”; <https://calsomah.org/program-impacts>.

⁵ SOMAH; Figure 4; *Semiannual Progress Report: July 1, 2023 – December 31, 2023*; January 2024.

⁶ SOMAH; Page 93; *Semiannual Progress Report: July 1, 2023 – December 31, 2023*; January 2024.

economically and environmentally disadvantaged areas by passing AB 693. This was a crucial piece of equity-focused climate policy that established the Solar on Multifamily Affordable Housing (SOMAH) Program. Last year, we expanded SOMAH to benefit more low-income Californians and properties owned by California Native American Tribes. However, the existing eligibility criteria requiring all projects to be deed-restricted makes it practically impossible to approve projects for properties owned by California Native American Tribes where deed-restrictions don't typically exist. SB 1118 amends the eligibility criteria for properties owned by California Native American Tribes under SOMAH to make clear that these properties are not subject to the deed-restriction eligibility requirements of the program, but still meet the SOMAH income requirements and are publicly financed.”

- 2) *A unique situation that needs addressing.* Although the SOMAH program administrator reports increased efforts to reach out to tribal communities, supporters of this bill contend that a lingering barrier to increased participation by tribes is the program's deed restriction requirement. Deed restriction is a conventional mechanism for preserving affordability of housing units. Deed-restricted affordable housing properties have a use-restriction that limits the rent or purchase price and requires occupancy by low-income housing for a set period of time, typically 55 years. The funding mechanisms and rent protections for low-income housing on tribal properties are more varied. As a result, supporters note that a small handful of projects from entities on tribal lands financed with a Housing and Urban Development Indian Housing Block Grant – a federal formula grant that funds affordable housing activities on tribal lands – have not been successfully enrolled in the program. This bill seeks to remedy this barrier to participation by tribal communities by narrowly exempting tribal projects from the deed restriction requirement and providing guardrails to corroborate that a tribal project would benefit a low-income multifamily residential property.

- 3) *Prior legislation.*

SB 355 (Eggman) made various changes to the SOMAH program, including extending the CPUC's authorization to award incentives for the program through December 31, 2032 and explicitly expanding the eligibility for the program to tribes and other specified groups. Status: Chapter 393, Statutes of 2023.

AB 693 (Eggman) created the SOMAH program, funded from IOUs' GHG allowances, to provide financial incentives for qualified solar installations at multifamily affordable housing properties. Status: Chapter 582, Statutes of 2015.

AB 217 (Bradford) extended the low-income programs of the CSI program from 2016 until 2021, authorized the collection of an additional \$108 million for these programs, and added additional standards to the program, as specified. Status: Chapter 609, Statutes of 2013.

SB 1 (Murray) established the electric portion of the CSI with a 10-year budget of \$2.2 billion collected from ratepayers. Status: Chapter 132, Statutes of 2006.

REGISTERED SUPPORT / OPPOSITION:

Support

Union of Concerned Scientists

Opposition

None on file.

Analysis Prepared by: Kathleen Chen / U. & E. / (916) 319-2083