



## Background and Program Status

SOMAH provides incentives to install solar on affordable housing properties that meet specified program income qualifications,<sup>1</sup> or are located in a Disadvantaged Community (DAC),<sup>2</sup> or both. While the program's design places eligible properties in DACs and low-income communities on equal footing in their ability to access SOMAH incentives, the program's work, funded by cap-and-trade dollars, has clear restorative justice implications, and the SOMAH PA is committed to expanding the program's benefits, from bill credits to job training opportunities, to as many Californians living in DACs as possible.

Eligibility Pathways	Share of All Applications <sup>3</sup>	Share of All Potentially Eligible Properties <sup>4</sup>
Low-Income Properties	70%	69%
Disadvantaged Communities Properties	30%	31%

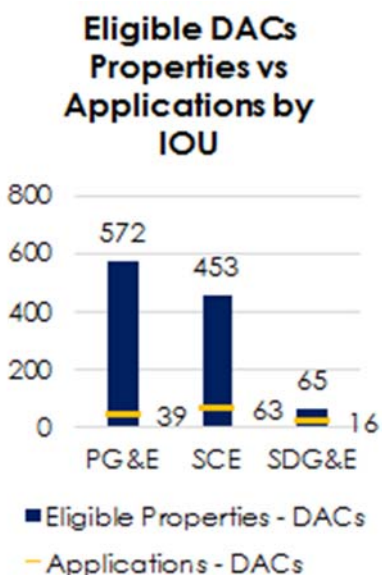
Current SOMAH applications for projects in DACs are roughly proportional to the estimated share of all potentially eligible properties in DACs overall. The breakdown by IOU service territory, however, provides additional clarity on where eligible DAC properties and applications from DACs are concentrated. Whereas about 25% of the potentially eligible DAC properties in SDG&E's service territory have already applied, for example, only about 14% of eligible DAC properties in SCE's service territory and 7% of eligible DAC properties PG&E's service territory are in SOMAH's current pipeline. Liberty and PacifiCorp have no eligible properties in DACs.

<sup>1</sup> 80 percent of property residents have incomes at or below 60 percent of the area median income (AMI).

<sup>2</sup> Disadvantaged Communities (DACs) for the SOMAH program are currently defined as census tracts scoring in the top 25% statewide on the [CalEnviroScreen 3.0 map](#). Properties located in one of 22 additional census tracts that are in the top five percent of pollution burden but that do not have an overall CalEnviroScreen score because of unreliable socioeconomic data are also eligible.

<sup>3</sup> Based on program data posted to [californiadgstats.ca.gov/charts/somah](http://californiadgstats.ca.gov/charts/somah) as of Oct. 12, 2020.

<sup>4</sup> Based on an internal market analysis by California Housing Partnership to be provided via the PA's forthcoming 2021 SOMAH Marketing, Education, and Outreach Plan.



- **PG&E:** PG&E serves a total of 2,031 potentially eligible properties overall. Properties in DACs comprise 28% or 572 potentially eligible properties in DACs. Of these, SOMAH currently has 39 applications, or 6.8%.
- **SCE:** SCE serves a total of 1,014 potentially eligible properties overall. Properties in DACs comprise 45% or 453 potentially eligible properties in DACs. Of these, SOMAH currently has 63 applications, or 13.9%.
- **SDG&E:** SDG&E serves 342 potentially eligible properties overall. Properties in DACs comprise 19% or 65 potentially eligible properties in DACs. Of these, SOMAH currently has 16 applications, or 24.6%.

### Current and Planned Efforts Summary

To build robust participation by eligible properties located in DACs, the SOMAH PA is presently implementing a multi-layered strategy that emphasizes DACs through the SOMAH PA's marketing, education, and outreach activities, featuring partnerships with four community-based organizations (CBOs) and a fifth partnership under development. Additionally, the SOMAH PA has two Advice Letters pending before the Commission, both of which propose program modifications that could encourage participation by eligible properties located in DACs.<sup>5</sup> The SOMAH PA and its partners will continue to build on these efforts through the following activities in 2021:

- Establish benchmarks that define success for DAC participation, in consultation with SOMAH's stakeholders across each IOU territory;
- Increase CBO engagement, including the proposed addition of a fifth CBO, Self-Help Enterprises, which specializes in serving the Central Valley region;
- Deliver additional CBO property owner outreach capacity-building;
- Target properties located in DACs with co-branded direct mail campaigns with local governments and/or IOUs;
- Increase coordination with complementary distributed energy resource and electric vehicle and infrastructure programs;
- Target online advertising efforts at owners with properties in DACs;

<sup>5</sup> (1) CSE Advice Letter 114-E, if approved, will enable the PA to prioritize project groups, including DAC properties or properties located in other Commission/state priority areas; (2) CSE Advice Letter 118-E, if approved, will provide the option to initiate an incentive payment earlier in the project process, supporting increased contractor diversity and more contractors located in DACs, as well as helping prevent attrition for DAC projects in the current pipeline.



- Leverage initial DACs' testimonials and success stories to spur additional interest and uptake; and
- Engage additional job training organizations (JTOs) in and near DACs to ensure their eligible trainees are aware of SOMAH job training opportunities and workforce development opportunities.

See "Appendix 1: High-level summary of existing and updated ME&O activities" for additional details.

### Potential Strategies for Consideration

In addition to focusing ME&O activities on increasing participation by properties located in DACs, the SOMAH PA has identified the following categories of potential strategies to drive additional DAC-property participation. Some of these strategies represent significant changes to program design that would likely require regulatory approval and may entail additional administrative costs. Additionally, the SOMAH PA would seek to understand and mitigate any impacts these strategies may have on other key program goals and objectives, such as:

- The program reaching its overarching goal of a minimum of 300 MW by 2030;
- Ensuring robust tenant benefits, including system sizing that provides meaningful offsets and bill credits;
- Encouraging greater contractor participation and diversity, and specifically, being mindful of how additional program complexity can favor larger contractors and/or contractors and applicants that have already participated in the program and are familiar with existing requirements;
- Accounting for uneven distribution and participation of eligible properties in DACs across IOU territories as well as differing funding levels in order to accommodate new applications; and
- Weighing potential benefits with costs, including budget impacts, and administrative burden of design, implementation, tracking, monitoring, and evaluation for the SOMAH PA, CPUC, IOUs, and other stakeholders.

**Examples of budget and incentive level strategies** include implementing a DAC carve-out or set-aside aimed at reserving a share of the overall per-IOU budget for properties in DACs, waiving application deposits for properties in DACs, waiving the incentive step-down for properties in DACs, setting a separate/higher incentive structure for properties in DACs, or even re-designing a single incentive structure to scale as CES 3.0 scores worsen. By affecting the "bottom line," this category of strategies may have the most direct effect on DAC participation by potentially focusing contractors' customer acquisition

efforts on properties in DACs, yet that behavioral change may nevertheless depend on higher application volume. Still, potential complexities, costs, and drawbacks are significant. A DAC carveout could lead to a waitlist for properties applying under the low-income pathway, which may slow attainment of SOMAH's overarching goal of 300 MW by 2030. A higher incentive to support more DAC participation may lead to higher costs in DACs, to the extent that incentives and project costs create a feedback loop. Waiving application deposits may lead to a higher rate of project cancellations or withdrawals in DACs by lifting the disincentive (deposit forfeiture) for projects that are not successful. Increased complexity may also favor incumbent applicants and discourage increased participation and diversity of contractors and owners.

**Examples of participation strategies** include setting participation caps, limiting the amount of funds an individual contractor/owner may reserve in any given IOU territory, or imposing a DAC quota on higher volume contractors, requiring that a minimum proportion of their projects be located in DACs. Caps have been briefly discussed in relation to contractor diversity/participation goals, including in SOMAH's Phase I Evaluation Report. A general contractor cap may slow more experienced developers down, giving less experienced developers time to build capacity and submit applications. A property-facing quota may focus contractor customer acquisition efforts on eligible properties in DACs, but it may in turn reduce the number of applications submitted by each contractor. Thus, while participation caps and quotas may encourage more participation by eligible properties located in DACs, they may have a number of adverse impacts. First, limiting participation may hinder the SOMAH program's attainment of its 300 MW goal. Second, contractor-specific quotas may interfere with a property owner's ability to work with their preferred contractor or cause them to delay participation in the program as they wait for their preferred contractor to attain a quota. Finally, setting and tracking such participation caps and quotas could also increase program complexity and require a reforecast of administrative costs.

**Examples of additional ME&O strategies** include ideas such as the PA developing a DAC-focused ME&O Plan budget carve-out, the creation of a referral program for DACs properties, the PA subcontracting with an organization focused on solar lead generation to target owners with properties in DACs, or the PA offering a prize or award for generating new DACs' interest, applications, or installations. Many of these strategies, however, are unproven in the multifamily affordable housing industry. For example, it is unclear if a referral program is applicable to the multifamily affordable housing market segment, or whether the industry's

lead generation companies are poised to apply their business models to this emerging customer segment.

Please see “Appendix 2: Potential Tools to Increase DACs Participation” for additional details.

## Recommendations and Next Steps

The SOMAH PA is optimistic that the strategies detailed in the “current and planned efforts summary” -- including SOMAH's 2021 ME&O Plan and proposed program modifications that could encourage participation by eligible properties located in DACs currently pending Commission approval -- can successfully drive increased DAC participation beyond proportional representation. These strategies and tactics for retaining and generating new DACs' interest and participation are within existing or proposed program rules and PA discretion. Still, we are committed to exploring and researching the additional potential strategies described above with SOMAH's many advisory bodies and stakeholders including: CBO partners; the Advisory Council and Job Training Organization Task Force; contractors; property owners; the SOMAH IOU Working Group; and the CPUC, including its Energy Division and the Commissioner's office. Meanwhile, the PA proposes to work with the CPUC to define success in engaging DACs, by developing minimum goals and benchmarks with partners, from properties served to job training opportunities and workforce development services rendered for tenants in DACs. Through these engagements, we will continue building, evaluating, and refining options for a potential modification. Following this stakeholder engagement period, the SOMAH PA will provide a second memo to deliver updated participation metrics, new benchmarks for DAC participation, and a refined set of options following from additional research, discussion, and consensus-building, aimed at better serving California's most impacted communities.

## Appendix 1: High-level Summary of Existing and Updated ME&O Activities

Existing ME&O Activities	Updated 2021 ME&O Activities: Tweaks and Changes to Prioritize DACs
<p><b>Direct outreach to owners (PA)</b></p> <ul style="list-style-type: none"> <li>Remote nonprofit owner outreach led by CHPC; for-profit owner outreach led by CSE; DAC focus by CBOs</li> <li>Phone and video consultation calls, conferences, workshops, webinars</li> </ul>	<p><b>Direct outreach to owners (PA)</b></p> <ul style="list-style-type: none"> <li>Formulating goals for DAC participation based on market assessment work underway</li> <li>Adding co-branded direct mail for “top of funnel” engagement</li> <li>Sharing successes and leveraging initial testimonials</li> </ul>
<p><b>Direct outreach to owners (CBOs)</b></p> <ul style="list-style-type: none"> <li>CBOs beginning to engage owners in their organizing areas</li> <li>Capacity building via pitching workshops on tactics, practices, messaging</li> <li>Data meetings with CHPC, CSE Property Owner outreach team</li> <li>Tenant messengers (leveraging tenants to convey value proposition to owner)</li> </ul>	<p><b>Direct outreach to owners (CBOs)</b></p> <ul style="list-style-type: none"> <li>Additional capacity-building on outreach tactics, practices, messaging</li> <li>Additional CBO (Self-Help Enterprises) to expand outreach in DACs in Central Valley</li> <li>Exploring site visits once safe to conduct</li> </ul>
<p><b>CBO-JTO coordination</b></p> <ul style="list-style-type: none"> <li>CBOs beginning to engage JTOs in or near their organizing areas and DACs to introduce community members to education and training opportunities</li> </ul>	<p><b>CBO-JTO coordination</b></p> <ul style="list-style-type: none"> <li>Continued and deepening CBO-JTO engagement</li> <li>PA supports opportunity mapping to help CBOs and JTOs understand and plan around where and when SOMAH JT opportunities may develop for local job seekers and trainees</li> </ul>
<p><b>Co-marketing</b></p> <ul style="list-style-type: none"> <li>Learning about and exploring co-marketing opportunities with IOUs, local government entities and housing authorities</li> </ul>	<p><b>Co-marketing</b></p> <ul style="list-style-type: none"> <li>Co-branded direct mail campaign</li> <li>Greater related program leveraging</li> </ul>

## Increasing DAC Participation



<ul style="list-style-type: none"> <li>• Understanding and initial leveraging of related programs</li> </ul>	
<p><b>Advertising (paid, targeted)</b></p> <ul style="list-style-type: none"> <li>• Deprioritized due to initial waitlists</li> </ul>	<p><b>Advertising (paid, targeted)</b></p> <ul style="list-style-type: none"> <li>• Targeted digital ads (banners, social, video) including early adopter Property Owner testimony</li> </ul>
<p><b>Track B/Contractor-led outreach to owners in DACs</b></p> <ul style="list-style-type: none"> <li>• Contractor toolkit live</li> <li>• Q3 2020 forum focus</li> </ul>	<p><b>Track B/Contractor-led outreach to owners in DACs</b></p> <ul style="list-style-type: none"> <li>• Prioritizing DACs properties for program spotlighting via ME&amp;O case study materials (print and digital docs, video)</li> </ul>





## Appendix 2: Potential Tools to Increase DACs Participation

Tool Type	Tool example	Strengths and opportunities	Weaknesses and threats
Implementation of participation strategies: DAC Quota for Track B Contractors	DAC quota for Track B contractors serving PGE, SCE, and SDG&E service territories: Contractors with over X total applications/MW/\$ in reservations must keep DAC allocation at or above X% of applications/MW/\$ in reservations (may not submit additional LI applications until/unless DAC quota is reached)	<ul style="list-style-type: none"> <li>• Would focus contractor customer acquisition efforts on eligible properties in DACs</li> <li>• Does not impose a hard cap, which could drastically slow attainment of program goal of 300 MW by 2030</li> </ul>	<ul style="list-style-type: none"> <li>• Likely slows program goal attainment</li> <li>• May confound contractor-Property Owner relationships for LI properties</li> <li>• \$ currently available in 4 of 5 IOUs' service territories may not be expended on schedule</li> <li>• Incentive step-down may disproportionately affect newly waitlisted LI properties</li> <li>• Would require a big program change/CPUC intervention</li> </ul>
Implementation of participation strategies: Contractor Cap for Track B	General cap for Track B: No contractor may reserve more than x share of available funds in any given IOU service territory	<ul style="list-style-type: none"> <li>• Slows experienced developers, thereby giving less experienced developers time to build capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Slows attainment of program goal</li> <li>• Does not have a direct bearing on DACs</li> <li>• Most relevant when interest is high enough to quickly meet or exceed budget levels when new funding is released</li> <li>• May interfere in Property Owner freedom to select an eligible contractor of their choice</li> <li>• Would require a big program</li> </ul>



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			change/CPUC intervention
Implementation of budget/ incentive strategies: Budget Carve-Out/Set-Aside for Properties in DACs	Create a budget carve-out/set-aside for properties in DACs	<ul style="list-style-type: none"> <li>Ensures a minimum level of funding for properties in DACs</li> <li>Would focus contractor customer acquisition efforts on eligible properties in DACs</li> </ul>	<ul style="list-style-type: none"> <li>Likely slows program goal attainment</li> <li>May confound contractor-Property Owner relationships for LI properties</li> <li>\$ currently available in 4 of 5 IOUs' service territories (i.e., funding likely not the issue)</li> <li>Incentive step-down may disproportionately affect any waitlisted LI properties</li> <li>Would require a big program change/CPUC intervention</li> </ul>
Implementation of budget/ incentive strategies: Waive Application Deposits for Properties in DACs	Waive application deposits for properties in DACs	<ul style="list-style-type: none"> <li>Clears a financial barrier of \$1250-\$20k for properties in DACs</li> <li>May help to focus contractor customer acquisition efforts on DAC properties</li> </ul>	<ul style="list-style-type: none"> <li>Lack of deposit may lead to submission of applications more prone to cancellation or withdrawal in DACs</li> <li>Unlikely to have a real impact for smaller properties or systems for which the deposit is not a substantial barrier/upfront cost</li> <li>Would require a program change</li> </ul>
Implementation of budget/ incentive	Waive annual incentive step-down for properties in DACs	<ul style="list-style-type: none"> <li>May help to increasing focus of contractor customer acquisition</li> </ul>	<ul style="list-style-type: none"> <li>May confound contractor-Property Owner relationships for LI properties</li> </ul>

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<p>strategies: Waive Annual Incentive Step-Down for Properties in DACs</p>		<p>efforts on properties in DACs</p>	<ul style="list-style-type: none"> <li>• Incentive step-down may disproportionately affect any waitlisted LI properties</li> <li>• Potentially allows for higher priced solar for DACs</li> <li>• Potentially reduces # of projects served</li> <li>• Would require a big program change/CPUC intervention</li> </ul>
<p>Implementation of budget/ incentive strategies: Separate Incentive Structure/ Higher Incentives for Properties in DACs</p>	<p>Provide a separate incentive structure/ higher incentives for properties in DACs</p>	<ul style="list-style-type: none"> <li>• May help to focus contractor customer acquisition efforts on properties in DACs</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially allows for higher priced solar for DACs</li> <li>• Potentially reduces # of projects served</li> <li>• Incentive step-down may disproportionately affect any waitlisted LI properties</li> <li>• Would require a big program change/CPUC intervention</li> </ul>
<p>Implementation of budget/ incentive devices: Re-design Incentive Structure to Scale</p>	<p>Re-design incentive structure to scale as CES 3.0 score worsens rather than be threshold-based</p>	<ul style="list-style-type: none"> <li>• Focuses contractor customer acquisition efforts on properties in DACs, especially most disadvantaged</li> </ul>	<ul style="list-style-type: none"> <li>• Potentially allows for higher priced solar for DACs</li> <li>• Potentially reduces # of projects served</li> <li>• Would require a big program change/CPUC intervention</li> </ul>

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<p>Implementation of ME&amp;O strategies: DAC-focused ME&amp;O Plan Budget Carve-out</p>	<p>PA devotes at least x% of its annual ME&amp;O budget to ensuring DAC participation</p>	<ul style="list-style-type: none"> <li>• Further demonstrates that DACs are priorities with regard to PA expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Very hard to track/allocate for general activities; administratively burdensome</li> <li>• No real data saying the SOMAH PA is under-investing on DACs</li> <li>• Many owners have portfolios spanning DACs and LI communities</li> </ul>
<p>Implementation of ME&amp;O strategies: Creation of Referral Program for DAC Properties</p>	<p>PA creates a fee-for-referral program, leveraging CBOs and other entities</p>	<ul style="list-style-type: none"> <li>• Dollars are only expended when milestones are reached; for example, new application or new installation tied to outreach by referrer</li> </ul>	<ul style="list-style-type: none"> <li>• Unknown number and location of entities that may be responsive</li> <li>• Addition of sizable, new task and cost, including set-up, maintenance, tracking, payments, and reporting</li> </ul>
<p>Implementation of ME&amp;O strategies: PA Expands Subcontracting</p>	<p>PA subcontracts with a lead generation company to market in DACs</p>	<ul style="list-style-type: none"> <li>• Specialization in remote, solar technical sales processes</li> <li>• Potentially cost-effective fee-for-service models</li> </ul>	<ul style="list-style-type: none"> <li>• Would need to be well coordinated with PA and CBOs to prevent duplication of efforts</li> <li>• It would require some internal PA re-budgeting</li> </ul>

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for DAC Participation			<ul style="list-style-type: none"> <li>• Unclear if this type of service is addressable to the MFAH sector</li> </ul>
Implementation of ME&O strategies: PA Offers Prize or Award for DAC Participation	The PA offers an award to contractors focused on DAC participation	<ul style="list-style-type: none"> <li>• May be cost-effective in generating leads and applications from DACs</li> </ul>	<ul style="list-style-type: none"> <li>• Would require well-researched design to fairly address contractor size differences</li> <li>• Contractors may not have capacity/interest in participating</li> <li>• Unclear whether a prize is an appropriate (administrative or incentive) cost</li> </ul>