



Rural Development

June 29, 2020

State Office

430 G Street
AGCY 4169
Davis, California
95616

Voice 530.792-5800
Fax 530.792-5837
x 109
TDD: 530.792.5848

Jacqueline Berg
Senior Manager
SOMAH Program Administrator
Center for Sustainable Energy

Subject: Exclusion of Tenant Solar Credits from Annual Utility Allowance Calculations for the Solar On Multifamily Affordable Housing Program at USDA RD Financed Properties

Dear Mrs. Berg:

This letter serves to confirm the United States Department of Agriculture (USDA) Office of Multi-Family Housing does not object to the participation of USDA Rural Development (RD) financed properties in California's Solar On Multifamily Affordable Housing (SOMAH) program, and furthermore confirms that the USDA acknowledges that these USDA RD financed properties will be permitted to exclude SOMAH solar credits from utility allowance calculations. Specifically, this letter serves to replace the need for project-specific letters from the USDA to acknowledge that a property will be permitted to exclude SOMAH solar credits from utility allowance calculations, as currently required from owners of USDA RD financed properties.

We understand and acknowledge that California Assembly Bill 693 established the SOMAH program in 2015 to make available \$100 million annually over ten years to incentivize the installation of solar energy systems benefitting affordable multifamily housing. We acknowledge that the statute requires that tenants receive a direct economic benefit from these solar energy systems, to be delivered in the form of virtual net energy metering (VNEM) credits, which may also be referred to as "tenant solar credits".

HUD guidance on the treatment of on-bill VNEM credits, issued July 8, 2019, states that VNEM credits allocated to tenants under the SOMAH program are an incidental benefit and must not be included as annual income. Additionally, because there is no connection between the tenant's actual electricity consumption and solar credits, HUD guidance directs owners and managers to disregard the solar credit when calculating utility allowances.

Based on the requirements of the SOMAH program and this HUD guidance, property owners of USDA RA financed properties are permitted to exclude tenant solar credits from utility allowance calculations. USDA RA approval is subject to Housing and Urban Development (HUD) guidance of Utility

Allowance (UA) at federal financed affordable housing projects and strict adherence to USDA RD regulations in all other respects.

Furthermore, in order to provide evidence that the relevant affordability requirements of Public Utilities Code (PUC) Section 2852 and the relevant Health and Safety Codes referenced in PUC Section 2852 have been met for all units presented by the applicant as affordable under these code sections, each property's SOMAH Program Multifamily Low-Income Housing Documentation Cover Sheet will indicate the compliance period in years for which the low income restriction is in effect, as well as provide a description of the compliance period, a description of the rent restriction, and language to attest that 80% of low income households are at or below 60% Area Median Income (AMI). The SOMAH Program Administrator shall access the publicly available USDA RD database to verify this information.

For further assistance on the mechanics of USDA RD UA calculations please contact Carol Ernst at (559) 754-3152.

Sincerely,

STEPHEN O. NNODIM
Acting Multifamily Housing Program Director

cc: file/