

Clayburn Apartments Case Study

Leveraging On-Bill Financing to Install Comprehensive Energy Efficiency Measures



The entrance to Clayburn Apartments in San Jose, CA

PG&E’s On-Bill Financing (OBF) program offers zero percent interest financing with repayment terms of up to 10 years and no lien requirement. Now, qualified Bay Area properties can use OBF to fund energy efficiency project costs.

Built in the 1960s, Clayburn Apartments is a 75-unit apartment complex in the North Valley neighborhood of San Jose that serves primarily low-to-moderate income residents. When the current principals of Caprock Homes LLC purchased the property in 2015, they recognized that the property’s previous owners had completed very few improvements to the property within the past 20 years, resulting in frustrated residents and rising energy and water bills.

Caprock Homes is committed to providing its residents with the best living experience possible and sought to listen to resident concerns as they planned upgrades to the property following the purchase. The principals began to consider a major renovation, but they soon discovered that the financials did not pencil out in a way that would allow them to both maintain net operating income and avoid rent increases. Instead, they were forced to scale back their plans and settle for making minor improvements to individual units as tenants turned over.

PROPERTY PROFILE	
Location	67 N Jackson Ave, San Jose, CA
Owner	Caprock Homes LLC
# of Units	75
# of Buildings	2
Sq ft	42,400
Year Built	1964



The principals of Caprock Homes LLC

“The OBF loan approval process was easy. Slipstream and our TA were very responsive and streamlined the approval process.”

- Principal, Caprock Homes

Then in 2018, the principals of Caprock Homes received a flyer about the Bay Area Multifamily Building Enhancements (BAMBE) program and decided to attend an informational workshop. They were excited to learn that through the program, they could receive rebates that would reduce the upfront cost of the measures and obtain no-cost technical assistance throughout the upgrade process, so they decided to enroll.

A BAMBE Technical Advisor (TA) visited the property and worked with Caprock Homes to identify a scope of work to significantly reduce the amount of energy and water the property consumed. The TA advised Caprock Homes that they could pursue measures that would both reduce energy costs and address tenant concerns surrounding comfort, reliability, and noise pollution.

Caprock Homes worked with their TA to settle on a scope of work that included double-pane windows and wall heaters along with new LED lighting, a hot water recirculation pump, low-flow showerheads, and faucet aerators. Based on the number of units at Clayburn Apartments, they qualified for a rebated of \$56,250 through the BAMBE program. However, with the total cost of the project approaching \$320,000, they realized that they would need to pursue additional financing to cover the remainder of the installation cost. The principals talked with their BAMBE TA about the up-front cost barrier and the TA connected them with Slipstream, a non-profit organization that administers BAMBE’s Lender Referral Service and provides information on available financial offerings for program participants. Slipstream identified several financing options that Caprock Homes could use to fund the work, from which the principals decided to pursue PG&E’s On-Bill Financing (OBF) program.



New dual-pane windows were installed throughout the property

ON-BILL FINANCING OVERVIEW	
Interest Rate	0%
Closing fees	\$0
Pre-payment fee	\$0
Loan term	Up to 10 years
Repayment mechanism	Monthly PG&E bill
Loan collateral	PG&E utility account. No lien or UCC-1 filing is made against the property
Funder	PG&E

OBF offers 0% interest financing with repayment terms of up to 10 years for qualifying energy efficiency improvements to multifamily properties in the PG&E service territory. OBF funds are secured by the property’s PG&E account, rather than by a lien on the property, and are repaid as a line-item charge on the property’s monthly PG&E bill. Owners who use OBF avoid the need to reconcile a new lien with the property’s mortgage and streamline operations by reducing the number of monthly bills to be paid.

Slipstream worked with the principals to help them qualify for OBF and complete the OBF loan agreement. Combining OBF with the BAMBE rebates enabled Caprock Homes to upgrade all 75 tenant units at the same time, rather than making incremental changes as tenant units turned over. By completing the work as a single project, Caprock Homes also benefited from economies of scale and improved pricing from their contractors.

As the start of the project approached, the property manager informed the tenants of the full set of planned improvements and outlined how the upgrades would benefit the tenants. Caprock Homes found that, with this knowledge, most tenants were very cooperative in accommodating the in-unit work needed to complete the project. The principals and property manager also observed that the direct and up-front communications helped build trust between them and the tenants that has lasted well beyond the completion of the project.

The combination of the OBF loan and the BAMBE rebates enabled the project to provide a net financial benefit to Caprock Homes, as the reduced monthly payments from extending the loan term over a ten-year repayment period are projected to be fully offset by the energy and water savings generated by the upgrades. Finally, the project has also simplified operations for the property manager and resulted in more satisfied residents.

Interested property owners can learn more and get started by visiting www.bayren.org/multifamily or calling (855) 213-2838.

UPGRADE AT A GLANCE	
Energy Savings	11.3% energy savings
Rebate Amount	\$ 56,250
Financing Amount	\$111,866.06
Measures Included	<ul style="list-style-type: none"> • Dual-pane windows • Efficient wall furnaces • Common area and exterior LED lighting • Variable speed drive for domestic hot water pumps • Low flow showerheads • Kitchen faucet aerators
Benefits	<ul style="list-style-type: none"> • Improved reliability of HVAC systems • Reduced noise for tenants

