

Rental Housing Energy Efficiency Work Group

Energy Efficiency in Rental Housing

Executive Summary

January 2011

In early 2010, Minnesota Community Action Partnership (MinnCAP) convened a diverse group of stakeholders that represented utility companies, affordable housing owners and advocates, renter advocates, a landlord association, energy efficiency advocates, state agencies concerned with energy and housing policy, and the public utilities commission. The overall goal of the work group was to explore barriers and solutions to greater penetration of effective energy conservation/efficiency practices within the rental housing sector.

After exploring the context of energy efficiency within the rental sector, this Rental Housing Energy Efficiency Work Group identified a list of *objectives* that were designed to address barriers and take advantage of opportunities, as aforementioned. Of these, the work group identified three priority objectives to consider in depth:

1. Develop **benchmarking** tools for property owners
2. Leverage utility **Conservation Improvement Program (CIP)** opportunities
3. Increase and improve **consumer outreach and resources**.

These three objectives were selected because they embody the potential for increased energy efficiency and provide the unique opportunity to take advantage of partnerships within this work group.

Three small work groups each explored one of the three objectives and generated recommendations in response to their respective objective. Each small work group identified a set of goals relevant to their objective and developed recommendations for achieving these goals. The following table presents the goals and recommendations identified by each small work group.

BENCHMARKING

GOAL: Identify and promote accessible benchmarking tools that provide whole-building information to rental property owners on the performance of their properties relative to other similar properties.

Background: There are multiple benchmarking tools available. The working group explored all tools available, and found only three that are tailored to multi-family housing. Energy ScoreCards and WEGO Wise were selected by the working group as the two strongest options available. Both tools import information automatically, and while they are working to implement that function locally it is not yet available in Minnesota. A third tool the working group examined is Energy Star Portfolio Manager. The Energy Star Portfolio Manager has significant drawbacks, in particular imposing administrative costs on projects through requiring manual data uploading and the lack of benchmarking against similar properties. The Work group determined that whatever tool/program is selected, it needs to be able to interface with Minnesota's utilities to automatically import data. Additionally, cost should not be prohibitive.

Recommendation Encourage the use of Energy ScoreCards or WEGO Wise by Minnesota property owners because they provide the most useful information for multi-family buildings and are the easiest for owners and managers without energy manager training to use.

GOAL: Explore ways to make data sharing between Minnesota utilities and property owners easier.

Background: Utilities have the ability to provide property owners with energy consumption data in CSV format, with customer consent. It's not yet clear whether it could be provided directly to a benchmarking project or program, as concerns about privacy are still being explored.

Recommendation In partnership with Minnesota utilities, develop procedures to share data between utilities and property owners. In particular:

1. Develop electronic utility waiver access forms so that tenants provide access to their utility information to property owners;
2. Explore providing one whole-building consumption number for sites that have multiple meters (to preserve the privacy of occupants), possibly providing a lowest user, median user, and highest user number to reveal the outliers;
3. Develop tools and agreements to provide data in CSV formats to benchmarking platforms; and
4. Explore whether data can be provided in CSV formats to benchmarking platforms.

GOAL: Develop a pilot project to benchmark energy (and water) consumption for rental housing in Minnesota.

Background: Minnesota Housing is interested in benchmarking the agency's portfolio. Minnesota Housing staff are exploring a pilot project to test the concept. The Director of Research has taken the concept back to the agency's sustainable housing team, which is very supportive, but the concept still needs to be brought to the agency's leadership. More evaluation of a potential pilot project is needed before a decision can be made. Evaluation of the benefit of the Minnesota Overlay to the Green Communities criteria should be included.

Minnesota Green Communities is able to commit staff support to developing a pilot and fundraising. The Minnesota Multi Housing Association will communicate the opportunity to participate in the pilot with its members.

Goals of the pilot include:

- Demonstrate that benchmarking plus targeted outreach and education can deliver energy savings that can help meet utility savings goals;
- Provide property owners tools to better manage utility consumption and efficiency investment decisions;
- Test whether tools can assist energy efficiency programs and organizations to better identify buildings with significant savings opportunity and to more accurately predict savings to building owners; and
- Test whether benchmarking tools facilitate underwriting energy efficient or 'green' loans that capitalize improvements.

Recommendation Develop a pilot project for benchmarking energy (and water) consumption in Minnesota. In particular:

1. Select the preferred benchmarking tool, noting that currently small group members who have tested both tools have a strong preference for Energy ScoreCards;
2. Identify pilot project partners including energy efficiency organizations, state agencies, non-profit partners, property owners, utilities;
3. Identify funding for pilot program;
4. Negotiate contract with benchmarking tool provider;
5. Develop materials to recruit participants, to help participants upload data into tools, to educate owners on savings opportunities and implementation assistance; and
6. Evaluate effectiveness of benchmarking pilot.

CONSERVATION IMPROVEMENT PROGRAM

GOAL: Develop methodology to demonstrate tenant benefits under shared metering.

Background: In instances where residents of rental properties have individual utility meters and are responsible for payment of their own energy usage, the benefits of energy efficiency investments will be reflected in reduced energy consumption. While it is possible that the tenant may experience an overall increase in energy consumption or energy cost due to behavior, increased use of other equipment, increased commodity costs or changes to rate structures, it is reasonable to assume that if other factors do not change then energy savings will occur. If the landlord owns the equipment being improved (appliances for example) the assumption is that this energy efficiency investment will stay with the property and will not become property of the tenant.

Recommendation Develop proposal to submit to the Office of Energy Security regarding methodology to demonstrate tenant benefits under shared metering for Low Income renter properties.

In instances where utilities are master-metered and tenants pay indirectly for energy usage (e.g. apportioned in their rent, utility allowances), benefits from energy efficiency investments may be difficult to demonstrate and quantify. While the primary goal of Conservation Improvement Program (CIP)¹ programming is to save energy, there are several underlying concerns that have historically guided CIP programming:

1. Utility ratepayer contributions should not be transferred from one class of customers to be used to improve the property of a second class of customers when the second class of customers does not make a reasonable contribution towards the improvement.
2. Many energy efficiency investments are often a higher quality option for a planned capital expenses when maintaining property. Further consideration is needed of whether it is acceptable for property owners to use the entire energy cost savings from an investment to offset the expense of the investment. This is especially relevant in circumstances where tenants only have the ability to influence energy consumption in their own unit, but the energy consumption of each unit is a small portion of the total consumption in the whole building.
3. In order to practically use CIP funds to leverage another program, such as the US Department of Energy (DOE) Weatherization Assistance Program (WAP), it may be necessary for CIP programs and participants to meet the requirements of the other program. For example, tenants may need to meet income eligibility guidelines or the property owner may need to demonstrate direct accrual of benefits to tenants.

Permit the party making the energy efficiency investment to be eligible for payment of applicable utility rebates or benefits. For example, if a landlord purchases a high efficiency appliance for a rental property where the utilities are individually metered and the utility account is in the tenant's name, the landlord is eligible to receive the rebate if one is offered from the utility. Furthermore, when the property meets one of the conditions in the following outcome, the utility may track the rebate and associated energy savings as part of their low-income program.

When tenants do not pay for energy directly, it must be demonstrated that quantifiable benefits from efficiency measures accrue primarily to tenants. Several methods of demonstrating this that could be combined, include, but are not limited to:

1. Longer term preservation of the property as affordable housing;
2. Continuation of protection against rent increases beyond that required under the WAP regulations (10 CFR 440.22(b)(3)(ii));
3. Investment of the energy savings in facilities or services that offer measurable direct benefits to tenants;
4. Investment of the energy savings from the efficiency measures in specific health and safety improvements with measurable benefits to tenants;
5. Improvements to heat and hot water distribution, and ventilation, to improve the comfort of residents; and
6. Establishment of a shared savings programs.²

¹ <http://www.state.mn.us/portal/mn/jsp/content.do?subchannel=-536895041&id=-536893853&agency=Energy>

² DOE, Weatherization Program Notice 10-15A, April 8, 2010. Available at:

http://www.waptac.org/data/files/website_docs/government/guidance/2010/wpn%2010-15a.pdf

Utilities or their agents must obtain the required documentation from rental housing property owners or managing agents to certify the accrual of benefits to tenants to qualify for use of low-income CIP funds on the rental housing property, regardless of whether the property is individually or master-metered.

Recommendation Develop proposal to submit to the Office of Energy Security regarding methodology to demonstrate tenant benefits under shared metering for non-Low Income renter properties.

Three scenarios need to be considered regarding the home, the meter and who pays for the improvement made:

1. Both gas and electric are individually metered and paid for by the tenant;
2. Both gas and electric are single-metered and paid for by the landlord; or
3. Electric is individually metered and paid for by the tenant and gas is single-metered and paid for by the landlord.

When a CIP investment is made to a non-low income property, the party making the investment is eligible for payment of any applicable rebates. For example: If the landlord makes the improvements but the unit is metered individually in the tenant's name, the landlord is the eligible party to receive the rebate, not the tenant as the assumption is that the CIP investment will stay with the property.

GOAL: Develop guidance for utilities on how multi-family fits into the current residential and business segments.

Background: Multi-family building ownership structures can provide unique challenges to conservation program design and participation. Often, for a building with 5+ units, the party that makes utility payments for the common areas, a landlord or property owner, is eligible for commercial CIP program offerings while a party that makes utility payments for an individual unit is eligible for low-income and/or residential CIP program offerings. While many multi-family buildings house low-income customers, historically, utilities have not made it their practice to offer rebates to commercial customers within their low-income program segment. However, Minnesota statutes and rules do not preclude offering rebates to a party paying for the energy efficiency improvements when that party is not responsible for paying the utility bills for the residence where the improvements will be installed.

Recommendation Special treatment of a multi-family unit may be necessary to address the unique challenges due to ownership structures. For example, utilities should be allowed to develop multi-family programs or segments that will allow for both market rate and low-income investments. Programs should allow a landlord to receive rebates for energy efficiency investments. Meanwhile, low-income qualified residents of a multi-family building should not be excluded from opportunities afforded low-income single family unit renters or homeowners. A multi-family building meeting the income eligible thresholds as approved by OES would qualify under CIP as eligible for low-income programming. In regards to a low-income multi-family program, a utility may develop a program that falls under the low-income segment. Establishing functional multi-family programs for either low-income or non low-income ratepayers will enable utilities to meet the needs of this untapped demographic while helping utilities to meet their energy savings goals.

GOAL: Develop guidance for utilities on what qualifies as low-income participants.

Background: Conservation Improvement Program (CIP) statutes are ambiguous regarding what qualifies as CIP spending on low-income customers. Historically, utilities have used the U.S Department of Energy (DOE) Weatherization Assistance Program (WAP) guidelines as guidance. The benefit of this practice has been that CIP funds can be used to leverage WAP funds, thus providing more funds to a particular property than would otherwise be available.

Recommendation The Rental Housing Energy Efficiency workgroup recommends that in order to use low-income CIP funds on a multifamily property, the property must meet one of the following conditions:

1. The U.S Department of Energy publishes lists³ of prequalified multi-family rental income-eligible properties that have been deemed income eligible for the Weatherization Assistance Program based on tenant income data collected annually by the federal government. For example, the U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Agriculture (USDA) have identified income-eligible properties for the DOE lists. Any property on the most recent DOE lists is eligible for CIP low-income spending.
2. For properties not on the HUD lists, the following types of properties that are eligible for WAP based on (DOE) guidance⁴ are also eligible for CIP low-income spending:
 - a. For properties with 2-4 units, at least 50% of the households must meet the WAP income eligibility guidelines;
 - b. For properties with 5+ units, 66% of the households must meet the WAP income eligibility

³ HUD lists are available at: http://www1.eere.energy.gov/wip/multifamily_guidance.html

⁴ CFR § 440.22(b)

guidelines.

3. Properties for which the owner can demonstrate by written statement that 50% of households (for 2-4 units) or 66% of households (for 5+ units) have applied for and have been determined to be Low Income Home Energy Assistance Program (LIHEAP) eligible or eligible for WAP are also eligible for CIP low-income spending.
4. Properties for which the property owner or its agent can demonstrate to the utility confirmation that the tenants meet the eligibility guidelines such that 50% of households (for 2-4 units) or 66% of households (for 5+ units) have Housing Choice Vouchers (Section 8 vouchers) or for whom Housing Choice Voucher payments are made on their behalf are eligible for CIP low-income spending. Utilities are not required to collect income documentation from each tenant. Note that such properties do not necessarily qualify for WAP funds.
5. Properties for which the property owner has made a declaration as part of the mortgage that 50% of households (for 2-4 units) or 66% of households (for 5+ units) have an annual income of less than or equal to 60% of area median income are eligible for CIP low-income spending. For example, many properties have agreements with Minnesota Housing or a local city when receiving funding that designate a proportion of the units to be occupied only by tenants with certain income levels as a condition of funding. Utilities are not required to collect income documentation from each tenant. Note that such properties do not necessarily qualify for WAP funds.
6. Properties for which 50% of households (for 2-4 units) or 66% of households (for 5+ units) self-disclose to utilities that their annual income is less than or equal to 60% of area median income are eligible for CIP low-income spending. Utilities and the property owner or its agent must obtain confirmation voluntarily from tenants that they meet these eligibility guidelines. Utilities are not required to complete an income certification akin to that required for LIHEAP or WAP eligibility. However, the utility must describe their procedures in their CIP filings and their procedures must be approved by Minnesota Office of Energy Security (OES) as appropriate. Note that such properties do not necessarily qualify for WAP funds.

GOAL: Compile research in order to better understand the needs and potential of energy efficiency investments in rental housing.

Background: Research can help Conservation Improvement Program (CIP) administrators and agencies design effective programs and resources. Areas of research should include, but are not limited to, landlord motivation, rental property population, existing and past programs for rental properties (success stories and failures) and current needs for low income renters. Work group participants have expressed interest in allocating resources from their organization towards this effort.

- Recommendation
1. Gather research that has been conducted on energy efficiency programs in rental housing. Leverage current expertise and previous research findings.
 2. Seek out best practices for Minnesota in order to guide future CIP program development.
 3. If necessary, identify additional research needs which may include:
 - a. Survey property owners who have made energy efficiency investments to learn what factors influenced their decisions.
 - b. Work with Minnesota rental property owners to develop appropriate financing packages. Different packages may be better suited for different types of the rental housing property owners. For example, rebates, low interest loans, deferred loans, or various combinations of these products may appeal to different types of property owners. This research should explore methods to assure that utility contributes meet the cost-effective tests used for analysis of CIP programming.
 4. Conduct research to gather examples of successful multifamily energy efficiency programs around the nation. The research should also identify what energy efficiency measures were included in programs and what factors influenced the decision making process of property owners who made energy efficiency investment.

Recommendation Conduct research to characterize Minnesota multi-family housing and to identify the energy efficiency measures that are generally most cost effective. The information gathered should include distribution of building location, size, and vintage; fuel consumption by end use; and utility metering design. The research should help to identify high priority buildings and sub-sectors and to illustrate potential energy savings from energy efficiency investments. This research should also characterize the range of rental property owners and the types of building they own.

CONSUMER EDUCATION AND RESOURCES

GOAL: Identify or create best practices to be shared with program developers and motivated property owners and renters.

Background: Research can help organizations design effective consumer outreach programs and resources. Areas of research should include, but are not limited to, landlord motivation, rental property population, and existing and past programs for rental properties (success stories and failures).

Recommendation Gather research that has been conducted on energy efficiency programs in rental housing. In particular, focus on how to motivate property owners to invest in energy efficiency measures.

Recommendation Develop a list of existing networks of landlords and property managers, segmented according to size/income categories.

Recommendation Determine if more research needs to be conducted. Specifically, conduct research on motivated landlords and property managers to better understand how to design programs to meet this segments needs.

1. Work with networks of landlords and property managers to identify interested parties
2. Work with peer organizations to develop list of interview questions.
3. Write case studies.
4. Distribute through existing networks.

GOAL: Increase and improve consumer education outreach by developing a comprehensive accessible resource list.

Background: The Consumer Education work group identified the EnergySmartsPay.com website as an existing tool in that serves the East Metro area. EnergySmartsPay.com is a web screening tool that gathers program resources from low-income energy assistance/improvement programs and general energy improvement finance programs for homeowners, landlords, and renters in East Metro.

Recommendation Expand EnergySmartsPay.com statewide resource.

1. Engage EnergySmartsPay.com stakeholders.
2. Assess feasibility of expanding statewide.
3. Determine funding necessary to expand.
4. Develop marketing plan if necessary.