



Department Source: Office of Sustainability

To: City Council

From: City Manager & Staff

Council Meeting Date: June 19, 2017

Re: REPORT – Staff response to proposed ordinance on rental energy efficiency by the Environment & Energy Commission

Executive Summary

Columbia City Council received a proposal in report form from the Environment & Energy Commission (EEC) at their February 20, 2017 meeting. The proposal requested Council to enact an ordinance requiring a Home Energy Score or Efficiency Score with all applications for certificate of rental compliance starting January 2018. At that meeting, Council requested additional feedback from staff on the feasibility of the proposal. This report discusses the feasibility of the EEC-proposed requirement, energy use in rental housing, existing energy efficiency programs, and suggestions for next steps. Data provided by Public Health & Human Services (PHHS) and Central Missouri Community Action (CMCA) shows that the need for utility bill assistance in Boone County is great (over \$1.4M in FY16) and growing (almost \$1.3M at 6 months of FY17). Of those numbers, the majority is for rental housing. Staff is recommending Council direct staff to initiate a public process to prepare an ordinance(s) for Columbia City Council and community consideration to update the City's existing Rental Unit Conservation Law with energy efficiency language and/or requirements.

Discussion

Columbia has a higher percentage of rental households compared to the state of Missouri and the nation (Figure 1). Data also indicates that most of the people who rent their homes pay more than 30% of their gross income on rent and utilities. The prevalence of high and unaffordable utility bills is reflected in the large number of "high bill" calls City staff and other organizations receive and the amount of funding spent for utility bill assistance payments.

Improving the energy efficiency of rental housing stock and providing information and education to all tenants regarding energy use and efficiency can reduce the need for assistance and undue stress on tenants, landlords and the energy providing utilities. Lowering residential energy use also aligns with a City of Columbia Strategic Plan goal to reduce carbon emissions.

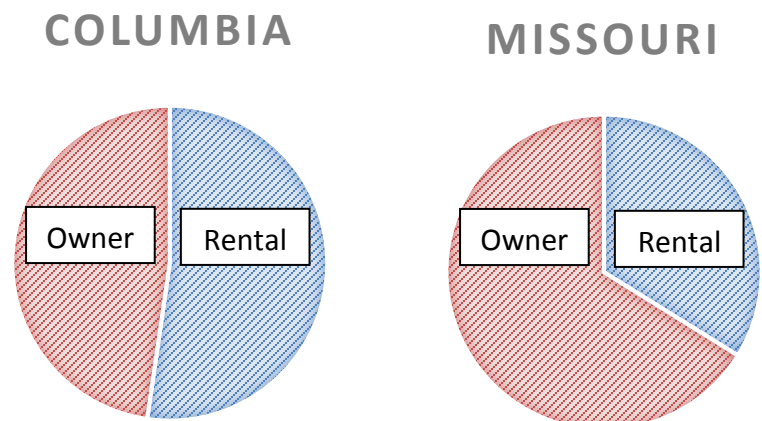


Figure 1 - Housing Selected Housing Characteristics, Table DP04 of the 2011-2015 American Community Survey, US Bureau of Census.



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Existing incentive and assistance programs for efficiency improvements are available to rental properties through City of Columbia and other local organizations. The vast majority of tenants, though they are responsible for paying the utility bills, do not have the ability to make capital improvements to the efficiency of their home.

The recent proposal to the Columbia City Council by the Environment and Energy Commission (EEC) would require a Home Energy Score or Efficiency Score of 7 or 70% respectively for all rental properties at renewal of their certificates of compliance. Implementation of this proposal could occur through existing City business practices in the Office of Neighborhood Services and Utility Services Division. The addition of new responsibilities and job requirements to staff in these areas will increase budget needs and demands on staff time. Both tenant and landlord could feel the impact on the business of renting homes with any ordinance requiring energy efficiency improvements in rental property.

While the EEC proposal may indeed meet the intended goal of improving energy efficiency in rental properties, the magnitude of the improvement and the impact to the business and people involved in the majority of Columbia's housing units is largely unknown. Staff recommends using a public process to develop an ordinance(s) for Columbia City Council and community consideration to update the City's existing Rental Unit Conservation Law with energy efficiency language and/or requirements.

Feasibility of EEC Proposal

The EEC proposed an ordinance change to require Home Energy Score or Efficiency Scores for all eligible rental units at the time of recertification on all certificates of compliance – effective January 1, 2018. The Home Energy Score or Efficiency Score is a good tool to measure the energy efficiency of homes and provide an estimate of utility bills with a single-family home, duplexes and some townhome structures. There are limitations in applying the program to larger multi-family rental housing structures. Currently 42% of rental housing units are eligible for the Home Energy Score or Efficiency Score program.

If the proposal were to be adopted, additional research would be needed on implementation and compliance within the current rental inspection process. The City of Columbia's current Rental Unit Conservation Law requires all rental properties be registered with the City. Inspections are required as part of the program and most properties are inspected every six years; code enforcement violations and failure to meet renewal deadlines result in inspections every three years.



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There may be some interest in combining the home energy scoring with the rental inspection. While Office of Neighborhood Services (ONS) staff is able to inspect and assess overall maintenance of rental units, merging the current inspection process with the energy audit would not be feasible. Current ONS inspectors were not hired to perform this function. Conducting the energy audits necessary to generate a score requires additional equipment and would take much longer to complete than the rental inspection so a significant fee change would be needed if the two inspections were combined. The audits require accessing the attic which many times is not accessible.

Staff believes that the use of third party inspectors to conduct the energy assessments could be relatively easy to implement. City staff would provide a list of approved third party contractors; rental property owners can select from any of those vendors. The fee for the assessment would be negotiated between the two parties and handled in the private sector. The auditor would provide a report of the assessment and that document would be submitted by the owner to the City as part of the rental renewal process. In order for a rental property to receive a Certificate of Compliance the audit must have been conducted, or if the property does not fall within the criteria the owner must sign a document certifying the ordinance does not apply to this property. A property that did not provide the audit document would be considered an unlawful rental and the owner would be subject to charges in municipal court.

Potential steps to compliance with this option:

- Property owner hires a vendor from the City's approved list to conduct the energy audit.
- The audit is completed and documentation submitted with application for a rental Certificate of Compliance.
- Audit documentation is received by the City and required for homes that meet the Home Energy Score program requirements (e.g. single family homes, duplexes, and end units of townhomes single family attached homes where there are three exposed walls).
- Owners of rental properties exempt from this ordinance would sign a form stating this does not apply to their property.
- Property owners who do not provide the energy score with their rental application would be considered out of compliance with City code and subject to prosecution.

While the use of a third party inspector is feasible, there are concerns from Columbia Water & Light in feasibility of implementation. Columbia Water & Light's energy efficiency programs are performance based and supported by the results produced. Home Performance with Energy Star (HPwES) has been its primary residential efficiency program since 2008. While



program data show action is needed on rental efficiency, the proposed changes to the Rental Unit Conservation Law are unlikely to achieve Water & Light's goal of reducing energy consumption through energy efficiency upgrades, and places an undue burden on the utility to cover implementation and oversight of these inspections.

Water & Light encourages participation in HPwES by incentivizing home assessments. This incentive reduces upfront costs to homeowners and promotes program completion. The completion rate of HPwES has historically been 80%. Due to the difficulty of meeting requirements outlined in the proposal, Water & Light anticipates no more than a 25% completion rate for rental properties falling under this proposed legislation. The proposal states, "Ninety-four percent of rental units would have passed the recommended efficiency standard,"¹ which would only allow for a minimal number of homes needing improvement.

While the proposed rule would generate large numbers of Home Energy Scores and provide valuable information to renters about energy costs, it requires Water & Light to provide quality assurance inspections for rental properties additional to those already performed by the Community Development Department. The anticipated programmatic cost for the assessments and rebates is expected to be over \$300,000.

Energy use in rental housing

Columbia City Council and the EEC have frequently discussed the need to encourage improvements in energy efficiency for rental housing. As a college town, Columbia hosts a large transient population and a higher percentage of rental housing than other cities in Missouri and the national average. In Columbia, most of these renters (57%) are considered to be housing cost burdened, meaning they spend 30% or more of their gross income on housing costs like rent and utilities.

The City of Columbia Strategic Plan has a social equity goal to reduce carbon footprint, with an emphasis on reducing residential energy consumption. One of the suggested actions is to explore policies to increase energy efficiency in housing units. As part of the strategic plan, neighborhood outreach specialists have been conducting door-to-door surveys inquiring about the needs of our residents. When asked "Can you afford your utilities?", 65% of respondents in rental housing say they struggle to pay their utilities (See Figure 3). In addition to surveying community members,

Housing Cost Burdened in Columbia

Renters spending 30% or more of income on housing costs:

57%, or 12,164 households

Renters spending 50% or more:

33%, or over 7,500 households

Figure 2: Housing Cost Burdened Statistics

¹ Environment and Energy Commission. *Rental Unit Conservation Law*. February 2017.



data provided by Public Health & Human Services (PHHS) and Central Missouri Community Action (CMCA) shows that the need for utility bill assistance in Boone County is great (over \$1.4M in FY16) and growing (almost \$1.3M at 6 months of FY17). Of those numbers, the majority is for rental housing.

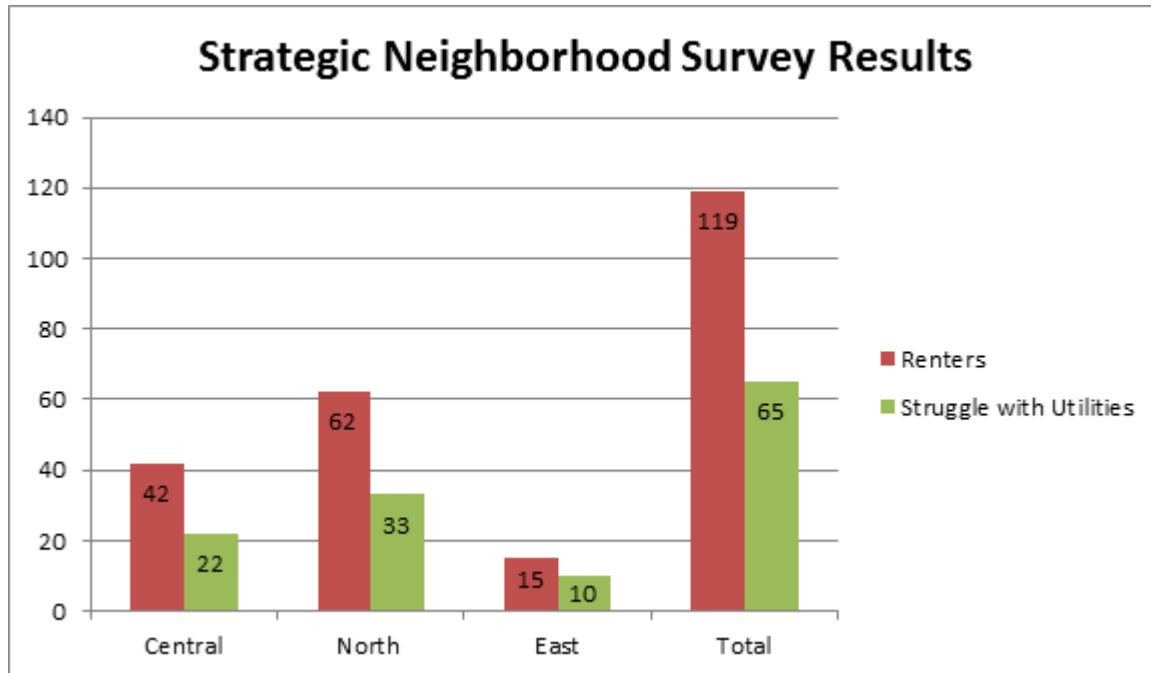


Figure 3: Strategic Neighborhood Survey Results

Existing energy efficiency programs eligible for rental housing

Columbia has a number of energy efficiency programs that can assist with making improvements to homes. Below is a brief description of each program. If adopted, the Rental Energy Task Force might identify additional programs that should be created for improving rental energy improvements.

Home Performance with Energy Star - With the goal of incentivizing residential energy efficiency, Columbia Water & Light adopted the Department of Energy's Home Performance with ENERGY STAR program (HPwES) in 2008. This program emphasizes a "whole house" approach to energy efficiency, which considers a house to be a series of interconnected parts that affect the performance of the whole system. In doing so, customers are able to realize savings by making targeted, specific investments. Through HPwES, customers hire contractors that are certified by the Building Performance Institute to perform house assessments. The contractor analyzes utility bills, performs blower door and health and safety testing, and completes a report for the customer. Columbia Water & Light verifies efficiency improvements at a final quality assurance inspection and completes rebate paperwork for the customer. All homes participating in the



process receive a home rating through the Department of Energy's Home Energy Score and Water & Light's Efficiency Score

Enhanced Home Performance with Energy Star - Columbia Water & Light adapted the Home Performance with Energy Star program in order to extend community inclusiveness and equitable use of resources for low to middle income residents. The Enhanced Home Performance with Energy Star program helps income qualifying participants reduce heating and cooling costs by implementing proven energy efficiency measures. Participants can receive up to \$2,400 for energy efficiency projects from Columbia Water & Light and a 0% interest loan through Columbia Water & Light's partnership with the City of Columbia's Community Development office.

Attic Plus - Attic Plus was developed to incentivize landlords to insulate attics in smaller duplexes and condos. Although this program is open to any owner of an attached property, its simplified design makes Attic Plus a perfect fit for landlords. By implementing a more efficient assessment, Attic Plus reduces the amount of time an assessor must be in a home.

Enhance Your Attic - Within the framework of the HPwES program and coordinated by Community Development, Columbia Water & Light is incentivizing attic insulation upgrades in low-income rental properties. Rental properties are an underserved market for energy efficiency programs and attic insulation provides the greatest return on investment for customers.

Free Energy Assessments - Water & Light staff provide Free Energy Assessments (FEA) to all of its electric customers – including rentals. In 2016, Water & light staff visited 226 customers and advised them on their home energy use.

Tenant education and outreach - Columbia Water & Light has also increased their tenant education efforts to help customers better understand the relationship between their thermostat, utility bill, and the weather.

Suggestions for next steps

City staff has been exploring opportunities for improvement within housing units in Columbia. Employees from Office of Neighborhood Services, GIS, Office of Sustainability, and Columbia Water & Light have been reviewing data associated with community-wide energy consumption and the associated built environment data available. In addition to data



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collected locally, staff has also reached out to experts in this field of research including the US Department of Energy (DOE), National Renewable Energy Laboratory (NREL), American Council for an Energy Efficient Economy (ACEEE) and peer cities to review best practices and suggestions for successful improvements.

Any action by the City Council regarding rental efficiency has the potential to impact various segments of the population and City government. In order to implement the most effective rental energy efficiency ordinance, the impact on tenants, landlords, rental rates, local contractors, City of Columbia staff, etc. must be understood as fully as possible. The Staff recommendation is to initiate a public process to prepare an ordinance(s) for City Council and community consideration to update the City's existing Rental Unit Conservation Law with energy efficiency language and/or requirements. This process would be led by staff and involve a ten-person stakeholder group.

The following are stakeholders staff suggests be added to a Rental Energy Task Force based on input on the topic over the past year - whose mission is to prepare a proposal for updates to the existing Rental Unit Conservation Law with energy efficiency language and/or requirements for Columbia City Council consideration.

Make up of proposed task force

- 1 Columbia City Council Member
Columbia City Council designates
- 2 Rental property owners
Shauna Neuner
Emmet McNulty
- 2 Tenants/Service organizations
Phil Steinhaus, CHA
Darin Preis, CMCA
- 1 Realtor/HBA/Columbia Apartment Association
Anthony Holmes, Columbia Apartment Association
- 1 Environment & Energy Commission
Jan Dye, Chair
- 2 Representatives for renters
Non-Student (CMCA will assist)
Nicole Lough, MU Off-Campus Student Services
- 1 Building science professional
Phil Figueiredo, Chapman HVAC



Fiscal Impact

Short-Term Impact: Unknown

Long-Term Impact: Unknown

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Health, Social Services & Affordable Housing, Secondary Impact: Environment, Tertiary Impact: Development

Strategic Plan Impacts:

Primary Impact: Social Equity, Secondary Impact: Economy, Tertiary Impact: Operational Excellence

Comprehensive Plan Impacts:

Primary Impact: Livable & Sustainable Communities, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

Date	Action
02/20/2017	Received report from Environment & Energy Commission. Request was made for staff to provide feedback.

Suggested Council Action

Direct City Staff to initiate a public process and establish the Rental Energy Task Force to review the current issue and prepare an ordinance(s) for Columbia City Council and community consideration to update the City's existing Rental Unit Conservation Law with energy efficiency language and/or requirements.