

Rental Energy Efficiency

Summary of Stakeholder Findings

May 1, 2023



Summary of Rental Housing Energy Efficiency Survey & Focus Group Findings

Rental Energy Efficiency Project Description	3
Survey Process	3
Survey Results	5
Utility Cost Information	7
Focus Group Process	8
Tenant Focus Group	9
Property Owners & Managers Focus Group	11
Community Based Organizations Focus Group	13
Conclusion	15

Rental Energy Efficiency Project Description

From the beginning the intent of the rental energy efficiency project has been to use a data-driven approach to develop a range of policy options. The initial phase of information gathering summarized in this report consisted of two activities, a questionnaire and focus groups.

Throughout the process, responses from three stakeholder groups: tenants, property managers/owners, and community based organizations surfaced points of agreement, points of friction/tension and priorities.

The upcoming phase involves the work of a third party consultant with desired deliverables being an analysis of the energy efficiency improvement **potential** of the rental housing stock in Columbia, a set of potential actions/policies that could be implemented in our community, and analyses of the impacts to all stakeholders in the rental housing market: Property managers/owners, tenants, and Community-based Organizations. In response to the imperative from respondents for careful policy development to minimize rental housing market disruption. A data driven approach based on market research will be needed to successfully develop a plan to meet City goals. This evaluation will need to consider, among other things, the state of the current rental market in Columbia; opportunities for efficiency improvements; past and current energy codes; climate impacts; market adaptability and affordability.

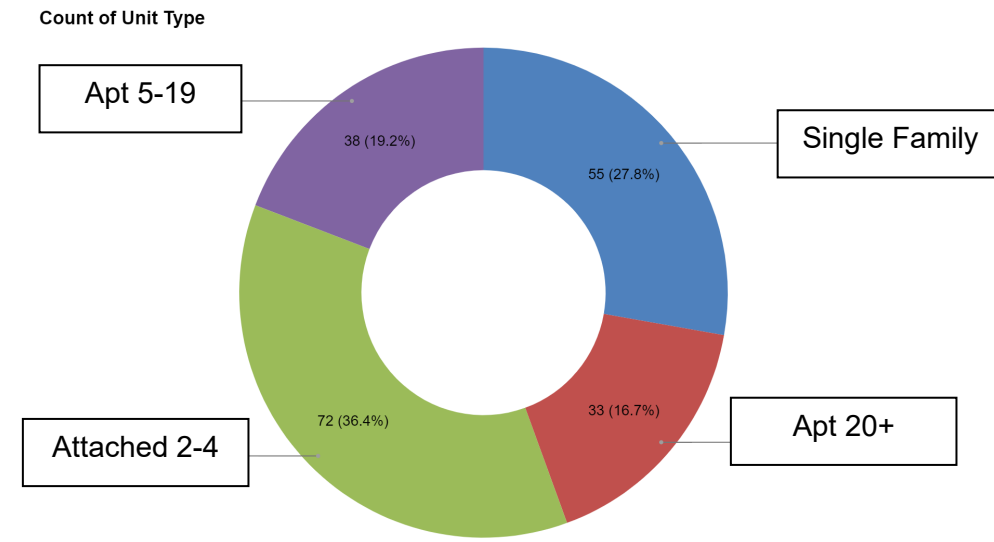
The Survey Process

The survey was designed to focus on those who live in, assist those living in, and own or manage rental properties in Columbia. The survey collected demographic information and asked questions to gather information about stakeholder experiences with energy bills, the rental market, energy efficiency improvements and the potential impact of energy efficiency policy, programs, etc. The survey also asked respondents to rank their top priorities for rental energy efficiency (REE) from a list. Additionally, there was the option to write in topics/sources for REE policy.

The survey was distributed online and in paper format in English and Spanish. Printed surveys were placed in high community-traffic locations such as the Columbia Public Library, Columbia City Hall, Activity & Recreation Center (ARC), Armory Sports and Recreation Center, Central Pantry, Public Health and Human Services lobby, and the Columbia Housing Authority (CHA). Volunteers also posted QR codes with links to the questionnaire in high community-traffic locations throughout the City.

After review, 165 surveys were omitted due to incompleteness or duplication. The remaining 465 surveys, 438 online and 22 printed, were used for analysis.

Demographics of Survey Respondents



REE Survey Population by Rental Type Compared to City of Columbia Rental Population
 (Source: <https://www.energy.gov/scep/slsc/lead-tool>)

Property Type	Number of Rental Units in the City of Columbia	Number of Rental Units in Survey Population	Percentage of Rental Units in the City of Columbia	Percentage of Rental Units in Survey Population
Single Family	4,892	48	19.48%	28.92%
Attached 2-4	9,134	61	36.38%	36.75%
Apt 5-19	7,328	29	29.18%	17.47%
Apt 20+	3,359	27	13.38%	16.27%
Mobile	397	1	1.58%	0.60%

The above table shows the property type distribution for rentals in the City of Columbia and in the REE survey. In comparison to the City of Columbia rental population, the REE survey population slightly over-represented single family homes and slightly under-represented small apartments (apartments 5-19 units).

Survey Results

Rental Energy Efficiency Priorities

Priority Rank	Property Managers & Owners	Community Organizations	Tenants
1	Cost of energy efficiency improvements	Utility cost	Cost of housing
2	Cost of housing	Cost of housing	Quality of housing
3	Quality of housing	Quality of housing	Utility cost
4	Cost of property maintenance	Environmental impact	Environmental impact
5	Utility cost	Tenant/property manager/property owner relationship	Cost of energy efficiency improvements
6	Inspection requirements	Cost of energy efficiency improvements	Tenant/property manager/property owner relationship
7	Tenant/property manager/property owner relationship	Cost of property maintenance	Cost of property maintenance
8	Environmental impact	Inspection requirements	Inspection requirements
9	Other	Other	Other

The REE survey asked respondents to rank nine issues in order of importance for a REE policy from most important (1) to least important (9). The above chart shows the policy priority rankings of property managers and owners, community organization representatives, and

tenants. All three groups ranked cost of housing and quality of housing in their top three priorities, representing the common ground between all groups.

The ranking of priorities by tenants and community organizations were very similar. Along with cost and quality of housing, these two groups also ranked utility cost and environmental impact in their top four priorities. The top four priorities of property managers and owners included cost of energy efficiency improvements and cost of property maintenance.

While this matrix highlights property managers and owners' prioritization of the cost of energy efficiency improvements, and the prioritization of utility cost by tenants, there may be more common ground than is apparent. When tenants were asked how much per month they would be willing to pay in increased rent if the property manager or owner made significant energy efficiency improvements, 37% were not willing to pay any amount in increased rent, and only 22% of tenants were willing to pay more than \$30. This reflects that while tenants prioritized utility cost and environmental impact (the first and fourth priorities), most are hesitant or unwilling to pay more in increased rent for more efficient housing, even if it would result in lower utility costs.

The survey results also offer insight on how much property managers and owners feel they could spend per unit on energy efficiency improvements without increasing rent to tenants. 49.5% of property managers/owners selected \$250 or less, 25.3% selected options in the range of \$250-\$1,000, and only 7.7% selected more than \$1,000. This indicates that most property owners/managers who need to spend more than \$250 on energy efficiency improvements plan to pass the costs along to tenants.

In summary, all groups are concerned about costs of energy efficiency upgrades, with property managers and owners more concerned with the immediate costs, and tenants more concerned with the cost of energy efficiency improvements being passed along in the form of increased rent.

Rental Energy Efficiency Topics and Sources of Information

The REE survey informed respondents that the Columbia City Council requested city staff to initiate a rental energy efficiency policy development process. To assist in that effort, we asked what topics and/or sources of information should be considered in crafting this policy. Staff analyzed and coded these open-ended responses from the three stakeholder groups, uncovering five areas of concern: cost of rental energy efficiency improvements, code and regulation, education, housing affordability, and housing quality.

While there was overlap in the discussion of topics and sources of information among the three stakeholder groups their perspectives differed. Community Stakeholders, comprised of representatives from community-based organizations (CBOs) and residents of Columbia who do rent or own rental properties, primarily focused on City code and regulation; Rental Property Owners and Property Managers expressed concerns about the cost of energy efficiency improvements; and Tenants focused both on the affordability and quality of rental housing.

Community Stakeholders' expressed two main concerns regarding code and regulation. This group expressed concern about how the City plans to enforce energy efficiency standards on rental property given that older properties may face unique challenges in meeting standards. Community Stakeholders also expressed desires for equal treatment of owner-occupied and rental housing or a justification for why energy efficiency standards are being developed for rental housing.

The dominant topic among Rental Property Owners and Property Managers was the cost of energy efficiency improvements. Property owners and managers with smaller businesses voiced concerns that incurring additional expenses to make energy efficiency improvements, especially without financial assistance (i.e. grants, loans, rebates, cost sharing), would either force them to raise rates or threaten their rental business further consolidating Columbia's rental housing market under larger owners and management companies. More broadly, the cost of rental energy efficiency improvements are seen to be likely to contribute to further increases in rental rates even amongst owners and managers who favor a potential policy.

Tenants primarily focused on affordability and quality of rental housing. Tenants are wary that an energy efficiency policy may contribute to further increases in the cost of rental housing. Simultaneously, tenants want to ensure rental properties meet basic energy efficiency standards with specific mention of insulation and HVAC systems.

All groups made suggestions for educational initiatives for tenants and property owners and managers. For tenants, proponents of education efforts suggest that tenants can benefit from learning more about how their behaviors can influence the efficiency of their housing as well as how they might decrease utility usage and costs. Property owners and managers can also be educated on how energy efficiency improvements might benefit their businesses.

The topics and sources of information provided in the REE Survey provide additional insight into the concerns of stakeholders and complement findings from the ranking of priorities in the survey as well as findings from focus groups.

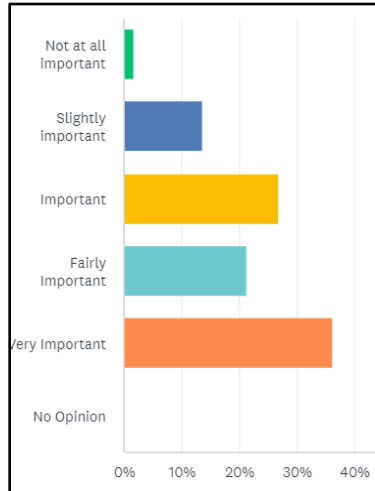
Utility Cost Information

The REE survey asked three questions pertaining to historic utility cost information. Tenants were asked how important the cost of utilities is in deciding where to rent, and how easy it is to get a history of utility costs for rental units. Property managers and owners were asked if they share utility cost information with potential tenants before they sign a lease.

Tenants-Importance of Utility Cost in Deciding Where to Rent

When asked how important the cost of utilities is in deciding where to rent, tenants' responses were the following: not at all important- 2%; slightly important-14%; important- 17%; fairly important- 21%; very important- 36%. In summary, 84% of tenants said that the cost of utilities is important to very important in deciding where to rent. Of all housing types, tenants

living in large apartment complexes expressed the highest value in utility cost in deciding where to rent.



Tenants' Ease of Obtaining Utility Cost History

Though the majority of tenants said the cost of utilities was important in deciding where to rent, most tenants expressed having a hard time obtaining this information. 37.5% of tenants surveyed said that getting utility cost history was either very easy, neither easy nor difficult, or slightly easy. 48.2% of tenants said that this was fairly difficult or very difficult, and 14.3% had no opinion. When looking at tenant responses by housing type, small apartment tenants and attached housing tenants expressed more difficulty in obtaining cost history than tenants living in single family homes and apartments with 20 or more units.

Property Manager/Property Owner (PM/PO) Utility Cost Sharing Practices

When asked “do you share utility cost or usage information with potential tenants before they sign a lease,” 55.3% of property managers and owners said yes, while 42.5% said no. PM/POs of large apartments with 20+ units were most likely to share utility data with potential tenants. This is consistent with the tenant responses as tenants of large apartment complexes reported the least difficulty of obtaining the history of utility costs.

Focus Group Process

OS sought to gather a more thorough understanding of the priorities and perceptions of individuals with interests in Rental Housing Energy Efficiency. To that end, OS identified three (3) stakeholder groups: community-based organizations, property owners and property managers, and tenants. OS staff consulted with Office of Neighborhood Services and City of Columbia Utilities to plan focus group logistics and content.

OS held one focus group meeting for each stakeholder group. These meetings took place at Daniel Boone Regional Library and PHHS. Participants were given \$15 gift cards and were provided meals and/or refreshments based on the time of day. Participants were asked to fill out a consent form so that the conversation could be recorded and transcribed, staff also took notes.

Tenant Focus Group

The tenant focus group generated a number of ideas related to a potential rental energy efficiency policy. The group’s dominant priorities are cost and quality of rental housing and the cost of utilities. The focus group discussion centered on support for tenants (educational initiatives, accessibility of information, and accountability for property owners & managers, and inspectors), energy efficiency home upgrades, and ensuring market stability.

Tenants expressed desire for more support for their interests in rental housing. These interests include educating tenants on behaviors to improve energy efficiency; access to resources and information to aid in their ability to make informed decisions; clear accountability for managers and owners; clarifying and enforcing inspection requirements and making inspection records accessible; and providing a venue and resources for tenants to report issues with their property management.

Participants spoke about the need to ensure stability in the rental market. Any policy would need to consider the impact on housing availability, affordability, and the extent of upgrades/repairs being made. Improvements in rental properties may require tenants not occupy some units, so many tenants could face non-renewal notices that would result in additional demand while the number of available rental properties temporarily decreases. Also, owners and managers could uncover additional needed upgrades to properties which could draw out timelines and drive up costs. Amenities could be reduced at some rental properties to compensate for incurred costs or because owners and managers do not want to get involved in repairs that have the potential to be more extensive than they may appear.

Tenants spoke favorably about providing support for property owners and property managers to offset the financial investment required when making improvements to rental properties. Tenants offered ideas such as providing free or low cost insulation kits to owners and managers to make improvements to their rental properties. They also suggested providing grants or rebates to financially assist owners and managers making energy efficiency improvements. The City could also compile resources and information about local, state and federal sources of funding and assistance to provide to owners and managers. The hope in making upgrades more cost effective is to minimize increases in rent, though tenants expressed understanding that rents would naturally increase as a result of improving the quality of rental housing.

Property Owners & Managers Focus Group

The property owner and property manager focus group discussed various topics related to rental energy efficiency policy. The main concerns of this group are the cost of energy efficiency improvements and the cost of rental housing. Property owners and managers are naturally receptive to improving the energy efficiency and overall quality of their rental properties because they want to maintain the marketability of the units. The primary concerns property owners and managers shared are cost and feasibility.

Regarding costs, participants suggested that financial incentives (subsidies, tax credits, etc.) could help make energy efficiency improvements more affordable for property owners and managers. Participants talked about the importance of considering the return on investment for owners since rental properties are an investment vehicle. In the current economic climate (2023), labor and materials are in short supply - driving costs up. Participants shared that costs would have to be passed on to tenants to maintain profitability of their businesses, though they are also conscious of what prices the rental market can handle. Property owners and managers warned that penalties for failure to make improvements at a standard set by the City would exacerbate rental market conditions by decreasing available housing options including affordable housing options, and contributing to upward pressures on rental rates.

As for the feasibility of a citywide policy for rental property energy efficiency, clarifying exactly which rental properties would be subject to these policies is necessary. Concerns about subjecting all rental properties, regardless of type and age, to the same standards were also voiced. Many shared the opinion that it would not be economical to update all properties and some improvements may require the displacement of tenants while work is done. Participants raised this as something the City should consider when formulating an approach sensitive to all parties involved. Finally, participants shared that even the most efficient units need educated tenants who maximize its efficiency - so education efforts may be necessary.

Related to cost and feasibility are questions about a timeline for implementation. Given the complexity of the issue a reasonable timeline would need to be established by the City that considers the economic factors and resource and labor-intensive nature of an energy efficiency policy.

The group also discussed current measures including taking part in the Home Performance with EnergyStar program, regular inspections of properties, and making energy-efficient upgrades. Participants highlighted the benefits of making energy efficiency improvements, such as local economic benefits from contracting and upgrades, higher rents, and increased marketability. However, they also discussed potential problems, such as low-income access and affordability, tenant behavior and education, and costs. The group suggested that an energy score would not affect business without an informed public, and success in five years would include voluntary adoption - a citywide policy may have adverse implications. Finally, participants asked about the policy's scope, why it only covers rental housing, and suggested that the city should provide information, resources, and incentives to support rental energy efficiency.

Community Based Organizations Focus Group

The community-based organization focus group conversation centered around supporting low-income individuals who struggle to afford rental housing and their utility bills. The top priorities for this group are cost and quality of rental housing and the cost of utilities.

Weatherizing rental units to decrease utility costs is a possible approach, but it won't bring down rent costs, which is also an issue facing their clients. Many low-income individuals live in older housing with less efficient appliances, but those upgrades are an additional cost. Incentivizing property owners and managers to weatherize units or participate in programs/efforts to improve energy efficiency would be helpful, but some organizations report having faced indifference and resistance from this group.

Community organizations could benefit from support from the City to improve service delivery. The City could better facilitate relations between community organizations, tenants, and property owners and managers. Organizations also face obstacles in the form of stringent policies that hinder efforts to assist clients - a review of City policies particularly in utilities, would benefit organizations and the population they serve. There are also challenges with the current delivery model for LIHEAP in Missouri, including eligibility requirements that leave out many individuals, stringent rules that penalize those who need help, and limited funding and capacity for organizations to assist.

Community representatives also shared that energy scores are not necessarily applicable to the decisions their clients make because their immediate concerns tend to be

related to survival, so finding housing regardless of its state is the prominent concern. If the City were able to demonstrate energy usage for specific appliances that may be a more effective educational tool.

A comprehensive approach that includes educational initiatives; considerations for the affordability of rent and utilities and the cost of improvements; property owner buy-in; additional support for service based organizations; positive relationship building with property owners and managers; and conveys the impact lower quality, less efficient rental housing has on individuals' health and finances is recommended.

Conclusion

There were four top priorities from the survey and focus groups. These were cost of rental housing, quality of rental housing, cost of energy efficiency improvements, and cost of utilities. Each is acknowledged and closely linked across all three stakeholder groups in their common concerns:

- Housing affordability - will efficiency requirements raise rents and will those increases be balanced by the utility savings?
- Housing availability - will units be demolished or taken out of the market either permanently or temporarily due to efficiency requirements?
- Market feasibility - Property owners need incentives and financial resources to make improvements and keep rent from rising.
- Importance of Education - Even if an efficiency/energy score is required, consumers have to know how to use that information. Tenants with few housing options will not be as concerned with scores. Educating property owners and managers on the impact and importance of energy efficiency improvements will also be a crucial step in improving energy efficiency in rental properties.

A clearer and functional definition of an energy efficient housing unit will inform what avenues are pursued in achieving goals. To be effective, the City's programs, policies and actions must balance the priorities of meeting CAAP goals with present economic conditions faced by all stakeholders. Burdens of regulation and imposed cost threaten smaller property owners, rising housing costs (including utility rates) puts pressure on renters. Any policies should also consider implementation schedules that support adoption with strategies like technical assistance, marketing support and financial incentives as a prelude to mandatory compliance date

A piece of continuing work is increasing the visibility of a housing unit's energy efficiency potential using Home Energy Scores. From 2015 to 2022 the State of Missouri provided funding to the Green Building Registry (GBR) as an online place for residential energy efficiency scores to be posted throughout Missouri, which in Columbia are homes that have participated in the Home Performance with Energy Star Program and received a Home Energy Score. In 2021 the State of Missouri declined to continue to provide funding to GBR and the City of Columbia determined to develop its own map and began working with its own Information Technologies (IT) staff in January 2022 to create a public-facing map of Home Energy Scores. When complete approximately 3,000 Home Energy Scores will be available on the map.

Moving Forward

As discussed in the July 5, 2022 report to City Council, staff will be engaging professional services to evaluate the energy efficiency improvement potential of the City of Columbia's rental housing stock as well as a study of policy options to support the improvement of rental energy efficiency. The results of the stakeholder engagement presented in this report will be provided to inform the work of this next step.

The Boone County Community Service Department (BCCSD) is developing an RFP for a County-wide housing study. The City of Columbia Office of Sustainability (OS) is currently evaluating the potential of developing a joint proposal with BCCSD to meet at least some of the desired outcomes.