



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital

FROM: Mark Freeman, Customer Service & EMS Manager, Kathy Grey, Energy Management Programs Supervisor and Monica Shovlin, Marketing & Creative Services Program Supervisor

DATE: April 5, 2013

SUBJECT: Rental Weatherization Research and Recommendations

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## **Issue Statement:**

Market research indicates there are more than 6,000 electrically-heated rental units in EWEB service territory that have not been weatherized. Getting rental property owners to take action to weatherize this remaining housing stock has proven challenging.

## **Background:**

For the last several years, EWEB has wrestled with how best to move residential rental property owners to action to improve the energy efficiency of their rentals. In August 2011, EWEB Energy Management Services (EMS) proposed conducting new market research aimed at identifying methods to unlock rental property owner reluctance to invest in energy efficiency.

In cooperation with the City of Eugene, EWEB's market research intern conducted an exhaustive cross-reference of EWEB's residential conservation programs with the City of Eugene rental housing records in May 2012. EWEB's GIS department mapped the results, which were distributed throughout EWEB territory, and obtained contact information for owners of non-weatherized rentals via county tax records. In November 2012, EMS and Public Affairs conducted several focus group sessions with rental property owners and property managers to determine what might motivate them to take action, the perceived barriers to action and possible roles for EWEB in removing barriers and motivating rental owners to weatherize these properties.

## **Discussion:**

Two focus groups of rental property owners and managers of non-weatherized rental units and one group with recently weatherized units provided their perspectives and opinions about rental weatherization. They also shared reactions to potential programs and messages about the topic. Overall reactions were similar in both the non-weatherized and weatherized groups. An independent research consultant facilitated the sessions. Following is a high-level summary of findings:

- Somewhat fewer than half of participants in the non-weatherized groups said they were aware that EWEB offered weatherization programs. Of these, most were only vaguely aware of the programs and the basis of their awareness was dated.
- Participants in the non-weatherized groups who were aware of EWEB programs learned about them through contractors and suppliers. Those in the recently weatherized group

learned about EWEB programs from a variety of sources including various EWEB communications and other landlords.

- Improving property values and attracting and retaining good tenants are the primary motivations to weatherize. This was true for all participants in all groups.
- Cost and scope were the most commonly mentioned barriers to weatherization. Occupancy logistics during improvements also figure into landlords' decision whether or not and when to weatherize.
- The majority of focus group participants preferred rebates to loans, but many said it depends on cash flow.
- Overall, the terms of EWEB's current loan were received favorably by the significant majority of participants.
- A notable minority viewed the requirement to use an EWEB-approved contractor as a disincentive.
- Participants responded favorably to current EWEB program offerings and unfavorably to "Pay as You Save" and "Green Lease" program options they saw as adding complexity without adding value.
- Extended marketing, e.g., an online listing of weatherized rental units, was appealing to nearly all participants.
- Participants favored weatherization program messaging that targets landlords rather than the tenants, except in the case of behavioral tips for renters.

The consultant concluded:

- Overall, focus group participants viewed EWEB's current rental weatherization programs quite favorably *once aware they existed*. Current program design was not a barrier to rental weatherization for these landlords.
- Participants recognized EWEB as a good source of information about energy efficiency and weatherization tips. They also said they learn about EWEB programs from a variety of sources. It's important to acknowledge that a combination of factors contributes to a landlord's decision to weatherize a rental unit (or not), including cash flow, renter relations, total cost, return on investment, concerns about project scope creep, vacant vs. occupied, and longevity of current tenant.
- Given these conditions, EWEB's promotional strategy should recognize that timing is an important factor in the decision to weatherize, and should aim for top-of-mind awareness. Messaging should be consistent over the long term and should integrate multiple communication tools so that when a landlord is considering weatherization, s/he will know to contact EWEB for information.
- Tactics to increase and leverage awareness at natural points of decision – such as during discussions with suppliers and contractors – are worthwhile. Another tactic that may be worth exploring is to further leverage landlord forums and landlord-to-landlord communication.

#### **TBL Assessment:**

Rentals often serve limited income customers who will benefit from lower electric bills as a result of weatherization measures. Rental property owners increase the value of their property through EMS program participation while also attracting and retaining stable tenants. Local contractors benefit from the additional work associated with the weatherization of these remaining rentals. EWEB contributes to market transformation and energy savings in its territory and the region within existing

budget for its EMS programs by shifting some dollars to this highly-targeted, cost-effective marketing communications effort.

**Recommendation:**

EMS will continue to provide energy audits for rental property owners, and share energy saving tips with renters through bill inserts, online and in printed materials available in the EWEB lobby and at community events. EMS website and print materials have already been updated to include messages about programs for rental properties in addition to owner-occupied residences, and an EMS Specialist made a presentation to the Lane County Rental Owners Association last week to provide a program update.

Currently, EMS and Public Affairs staff are exploring the feasibility of an online listing of weatherized rental units in Eugene, i.e., the extended marketing concept that was appealing to nearly all rental property owner focus group participants and would serve as a public service to prospective tenants. By Q3 2013, staff will create an action plan and identify a target completion date based on the feasibility study.

In Q4 2013 and into 2014, EMS will introduce its new energy efficiency and peak demand management programs. Based on available program incentives and informed by this recent market research (including specific owner names and addresses), Public Affairs staff will implement a targeted communications effort with EMS to communicate directly with the more than 2,800 rental property owners of more than 6,000 non-weatherized units at more than 4,000 properties in EWEB territory. Since 35 percent of these owners live outside EWEB territory and only one focus group participant said he paid the tenant's EWEB bill, direct mail and e-mail are likely the most effective means to reach owners about rental weatherization and HVAC incentives. In addition, we will pursue opportunities to share landlord testimonials in channels including the EWEB website, social media, local news media, ads and editorial placements in the Rental Owner Association monthly newsletter, speaking engagements and/or panel discussions with landlords who have weatherized, and more.

EWEB EMS will continue to collaborate with the City of Eugene to include information on EWEB programs for rental owners in the City's annual rental property fee assessment mailing, but also with landlord educational/speaking opportunities. In addition, city staff has expressed interest in collaborating with EWEB in the future to research tenant awareness of energy-efficiency programs and behaviors that may affect their utility bills and/or selection of rental property.

**Requested Board Action:**

Information only; no further action required.