



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Erin Erben, Chief Customer Officer; Kathy Grey, Customer Solutions Supervisor;
and Matthew Lutter, Customer Solutions Specialist III
DATE: May 22, 2017
SUBJECT: Rental Housing Update
OBJECTIVE: Information only

Issue

The purpose of this backgrounder is to provide an update on recent Customer Solutions department activities in the rental housing sector.

Background

Rental housing units often are occupied by limited income customers and are a dynamic sector within the housing market. When residential properties change ownership, a rental may become owner-occupied and a previously owner-occupied residence may become a rental. EWEB's Customer Solutions department, formerly known as Energy Management Services, has worked for the past decade to better understand rental property owners' willingness and motivation to invest in efficiency improvements that help occupants to reduce their utility bills.

EWEB has analyzed this market thoroughly. Our analyses have included cross-referencing EWEB historical residential conservation program data with the City of Eugene (CoE)'s rental housing records, obtaining owner contact information, conducting focus groups comprised of landlords and property managers, constructing contact and communications plans based on that information, evaluating development of landlord-tenant split incentive (Tariff Based) models, and monitoring trends of Property Assessment Clean Energy (PACE) programs nationwide. (See archived board correspondence of November 2011, April 2012, April 2013, January and February 2014 for details.)

Current Projects Discussion

In academic year 2016-17, the University of Oregon's Office of Sustainability, EWEB, and the CoE partnered on a project to train students to deliver Home Energy Scores (HESs) to rental property occupants and owners in EWEB service territory. EWEB's Customer Solutions department is providing limited funding, use of equipment and facilities, and in-kind services. EWEB staff time to train, oversee, review and verify HESs conducted by students has been significant initially but is decreasing. However, we can assume student turnover almost every academic year and the need for EWEB staff to train new student assessors if EWEB leadership is interested in continuing this partnership.

Since January 1, 2017, more than 300 applications for HESs have been received, mostly from tenants. 215 rentals have received home energy assessments, and 142 HES reports have been sent to

rental owners. The average score has been four out of 10, where 10 is the most energy efficient. Homes with zonal electric heat have tended to score in the one to three range, and homes with a heat pump or gas furnace have tended to score in the four to eight range. 15 owners have taken actions to invest in suggested upgrades, or about 10%. Some are converting their rentals from non-electric heat to an electric heat pump.

Next steps for this project are to continue to work with partners to:

- Offer and conduct the HES program
- Establish where and how the energy information can be made available to prospective tenants
- Evaluate and refine score delivery and effectiveness to motivate owners to take action
- Explore methodology that allows scoring of multifamily housing.

When they receive a Home Energy Score report, property owners are informed that they will be invited to publish the home energy information with EWEB in the near future. Publication of these scores gives property owners who have made or will make improvements an opportunity to promote their properties to prospective tenants, and gives prospective tenants a tool to compare properties by cost to rent and potential energy costs. EWEB is meeting with the CoE later this month to look at several hosted platforms for publishing HES data.

During this same period, EWEB engaged the University of Oregon's Business Consulting Group (OBCG) to take another look at the remaining rental housing stock and provide EWEB with an update on the number of rental properties that can still realize value from energy efficient measures¹. Using an elimination analysis² the OBCG determined 6,000-7,000 rental properties still can benefit from some type of efficiency improvement (windows, insulation, heating system improvements, etc.). The group also noted that the total number of rental properties grew by about 3,000³ "new" rental properties, resulting in almost 10,000 rental properties for which EWEB has no efficiency records.

The more current address and ownership data provided the OBCG project can potentially be used for HES outreach.

Direct costs of these two projects total \$8,000.

The table below has been updated from a previous management correspondence. It shows energy conservation activity by year from 2008 through 2016. In 2013, EWEB temporarily stopped its energy efficiency programs, and limited-income weatherization services were outsourced to the Housing and Community Services Agency (HACSA) of Lane County. The 2013 total project count is a sum of residual 2012 projects, plus some 2013 activity, and HACSA. In the third quarter of 2015, EWEB began conducting limited-income work internally, in addition to work performed through HACSA.

1 An assessment was previously done in 2012, by an EWEB EMS intern

2 Using data from EWEB, City of Eugene, Regional Land Information Database, and Lane Council of Governments

3 Excludes new student housing

Completion Year	# Total Projects	# of Limited Income Projects	Limited Income as % of total projects	# of Rentals	Rentals as % of total projects	# of Limited Income Rentals	Limited Income Rentals as % of total projects	# Non-Limited Income Rentals	Non-LI Rentals as % of total projects
2008	2,176	1112	51%	902	41%	812	37%	90	4%
2009	2,198	1012	46%	701	32%	530	24%	171	8%
2010	2,714	1474	54%	989	36%	552	20%	437	16%
2011	3,028	1373	45%	1,461	48%	1,072	35%	389	13%
2012	1,847	667	36%	808	44%	368	20%	440	24%
2013	1,150	23	2%	108	9%	0	0%	108	9%
2014	1,137	17	1%	160	14%	0	0%	160	14%
2015	1,475	100	7%	222	15%	39	3%	183	12%
2016	1,420	164	12%	176	12%	5	0.4%	171	12%
Totals	17,145	5942	35%	5,527	32%	3,334	19%	1527	9%

Assuming between 6,000-7,000 rental units remain unweatherized, and with the post-2012 program activity levels supported by EWEB management, it may take 36-42 years for EWEB to transform the remaining residential building stock. Management support for a program activity level closer to pre-2012 levels could reduce the estimate to reach those remaining rentals within six or seven years.

The Customer Solutions department plans to tackle these remaining rentals by finding a vehicle to publish the HES score data, continuing to target outreach through marketing channels like the Rental Owners Associations (ROA) and direct email/mail, and responding to requests for efficiency services, bill assistance and high bill inquiries.

TBL Assessment

Efficiency investments in rental properties create local jobs, healthier homes and reduced energy burden for some customers. The Home Energy Score informs owners of the carbon footprint of their home and therefore encourages low carbon heat pumps over fossil fuels. Heat pump installations in non-electrically heated rental homes increases revenue to the utility, reduces greenhouse gas emissions, and improves affordability for tenants and market competitiveness of rental units for property owners/managers.

Recommendation

In the context of EWEB's overall strategic direction towards improving affordability and reducing the energy burden for limited income customers, EWEB should consider the continued targeted delivery of Home Energy Scores for rental homes using existing staff, UO Score students and interns if available.

Requested Action

Informational only