Local Governments Tackle Energy Efficiency of Rental Properties

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RENTAL property energy use is emerging as a key challenge for cities in meeting carbon reduction targets. About 20 percent of all U.S. carbon emissions is attributable to home energy use, and rental properties constitute more than 30 percent of the nation's housing stock—often a larger portion in major urban areas. These apartments and houses typically have a larger carbon footprint than owner-occupied homes, consuming 15 percent more energy per square foot and incurring 30 percent higher energy costs, according to the American Council for an Energy-Efficient Economy.

The problem is driven in part by the lack of incentive on the part of property owners to pay for energy-efficiency upgrades. Not only are renters responsible for paying energy bills in the vast majority of cases, but the problem is compounded by energy-inefficient housing stock in low-income neighborhoods due to structural issues, poor insulation, and older, energy-wasting appliances.

As a result, almost one-third of renters bear a high energy burden—over 6 percent of their income is allocated to energy bills. Furthermore, ACEEE research indicates that the energy burden borne by renters is disproportionately higher than the national median household, a problem particularly affecting people of color. Furthermore, the Rocky Mountain Institute reports that energy insecurity, which can include the need to reduce food and medicine to pay energy bills or maintain homes at unhealthy temperatures, disproportionately impacts renters.

Where ownership and efficiency benefits don't always coincide

Local governments are taking a variety of approaches to reducing emissions from existing, privately owned rental properties. Many efforts are documented in a report by the Urban Sustainability Directors Network and ACEEE that focuses on how to reduce energy use while preserving or expanding access to affordable housing.

Rental energy disclosure policies are among the tools used by cities such as Minneapolis and Chicago. The mandated disclosures provide prospective renters with information about prior energy use and the cost of utility service. ACEEE's Reuven Sussman explains that soon-to-be-published data confirm that disclosures can affect decisions about which properties to rent and willingness to pay for energy-efficient units—with an important caveat that should inform local disclosure programs: "Our data show that when only the most efficient homes are labeled, renter decisions are less affected than when all homes are labeled."

Other localities have granted renters the right to make limited efficiency improvements, such as adding removable weather-stripping, interior storm windows, or hot water tank insulation wrap. The Hartford, Connecticut, housing code allows renters to implement certain types of energy-saving measures even without owner consent.

In addition, several cities, including New York, St. Louis, and Boulder, have adopted energy performance standards for rental properties. These standards vary with respect to the entities covered and requirements imposed but can include mandated emissions targets or adoption of specific energy-efficiency measures. RMI explains that new standards are needed, in part, because building energy codes establish efficiency requirements for new construction only—even though many residential properties were built prior to the establishment of codes.

Another option adopted by cities, including San Francisco and Salt Lake City, is to require energy-efficiency upgrades upon the occurrence of an event such as a property sale or renovation. The required upgrades often are limited in scope to help ensure costs are not passed through to renters. Examples of required upgrades include pipe and exterior wall insulation and cleaning and repairing boilers.

Finally, numerous local governments, such as Cincinnati, Milwaukee, and Washington, D.C., have established loan and grant programs that support energy-efficiency upgrades to rental properties. These programs often require recipients to maintain affordable rent levels for a designated period after receiving the funding. Local government programs are structured and funded in a variety of ways and, for example, may rely on federal funds, local taxes and fees, or utility franchise fees.

Not only local government-sponsored initiatives, but also state and utility energy-efficiency incentive programs, provide support for rental property upgrades. The Urban Sustainability Directors Network and ACEEE emphasize that localities should advocate to expand these programs and promote them with renters and property owners. Moreover, in addition to policies aimed at existing, privately owned properties, local governments are adopting measures focused on achieving energy efficiency in new affordable housing construction and public housing.

These approaches show promise for making headway on a challenging aspect of municipal carbon emissions reduction, where ownership and efficiency benefits don't always coincide.