

# Residential Energy Disclosure

Minneapolis residents deserve to understand how much their utility bills will cost as they choose where to live. Especially as the City deepens its work to improve housing affordability, it is critical that we do everything we can to ensure residents understand energy costs regardless of their homeowner/renter status or the type of property they live in. In 2013, the Council unanimously adopted the City's Climate Action Plan committing to energy disclosure strategies to promote energy efficiency and housing affordability. Energy disclosure is a practice of evaluating the energy efficiency of a building and making the information known to consumers. Here is an overview of proposed energy disclosure tools for reaching the City's climate and housing affordability goals.

The benefits of energy disclosure are many and include:

- *Energy awareness for households.* The current market does not give consumers adequate information about energy costs for their housing. Energy disclosure allows residents to more effectively budget for total housing costs, so they are not unexpectedly priced out of their homes.
- *Provides key information during housing decision-making.* Tenants and buyers can use the disclosed information to make comparisons about energy performance and costs between properties, something that cannot be done currently. New homeowners and potential tenants are also a target group for promoting energy upgrades, as they can be more receptive to making these investments (particularly when financing is available).
- *Market incentive for energy improvements.* The energy performance of most housing is invisible, so it is not a common feature that sellers and landlords use in competing for buyer and renter business. Disclosing that information can induce demand for better efficiency, which helps incentivize owners to invest in energy improvements.
- *Improves buildings and reduces energy burden.* The factors listed above can help drive efficiency projects in the City's housing stock, which lowers the energy costs for residents. The City can make further progress by using the energy information to more effectively promote and target its own residential efficiency programs.

The following policies aim to bring these values to every Minneapolis resident regardless of housing type:

## *Multifamily Benchmarking*

**Proposal:** extend existing commercial benchmarking ordinance to cover large multifamily buildings 50,000 square feet and greater and if a no-cost evaluation service is available to property owners in the marketplace include an evaluation requirement for low performing buildings.

The City already requires the owners of commercial properties 50,000 square feet and larger to annually report energy use data, which is used to help understand patterns in the context of stated climate goals and target efficiency efforts. Minneapolis would become the 19<sup>th</sup> of the 24 other benchmarking communities across the country to include large multifamily buildings in policy.

In order to achieve climate goals and maximize limited financial resources, it is essential to understand exactly how much energy residential buildings use and which properties may benefit most from efficiency programs. We can use this benchmarking data to refine outreach strategies, and offer residents important context around the overall energy efficiency (and energy cost) of where they live. To date, the City gathers much more robust data on commercial buildings while residential energy use remains a barrier in achieving emissions goals.

#### Time-of-Rent Energy Disclosure

**Proposal:** require rental property owners to disclose energy use at time of rent.

Renters comprise over half of Minneapolis' population, and these residents are most vulnerable to general housing instability and volatility in housing costs (rent, utilities, etc.). By requiring landlords to provide average per-unit energy use at time of lease renters would have upfront insight into the actual total housing costs of a given building.

It would also create an implicit incentive for building owners to make energy efficiency upgrades that lower utility bills – something that is currently missing for the large number of properties where landlords pass energy costs on to residents. And while it is true that this data can fluctuate based on individual behavior, this policy would encourage residents to be aware of their energy use.

This policy carries benefit for every renter. However it is important to consider its acute impact on low-wealth households – those who live in our least-efficient housing stock, for whom high energy bills can drive their housing cost burden well beyond their means. Understanding energy costs at point of lease can protect these households from unexpected increases in total housing costs.

#### Time of Sale Energy Disclosure

**Proposal:** include energy efficiency information in Truth In Sale of Housing (TISH) inspections.

Time of sale energy disclosure will promote energy awareness among residents, allow the City to track residential efficiency, and incentivize energy projects that will help reach the City's carbon reduction goals. Utilizing TISH for energy disclosure allows for efficient implementation that will lower costs for both the City and the seller, rather than a separate inspection requirement like in Portland, OR.

The energy information provided will help inform the market of the total cost of ownership, and may encourage sellers to pursue energy efficiency upgrades to give themselves a market advantage – which will also help reach our carbon reduction goals. This measure is especially significant in the Minneapolis market, where 70% of homes lack adequate insulation – one of the most impactful efficiency projects, in terms of both cost and energy savings.