

City of Minneapolis

Request for Committee Action

RCA #: RCA-2019-00132

TO COMMITTEE(S):

#	Committee Name	Meeting Date	Submission Deadline
1	Public Health, Environment, Civil Rights, and Engagement Committee	Feb 4, 2019	Jan 28, 2019

FROM: City Coordinator's Office

LEAD Kim Havey

PRESENTED BY: Kim Havey

STAFF:

BY:

SUBJECT:

Residential Energy Disclosure Ordinances

ACTION ITEM(S)

#	File Type	Subcategory	Item Description	Public Hearing
1	Ordinance	Code Amendment	Passage of Ordinance amending Title 3, Chapter 47 of the Minneapolis Code of Ordinances relating to Air Pollution and Environmental Protection: Energy and Air Pollution, adding provisions relating to residential energy disclosure.	Yes
2	Ordinance	Code Amendment	Passage of Ordinance amending Title 12, Chapter 248 of the Minneapolis Code of Ordinances relating to Housing: Truth in Sale of	Yes

#	File Type	Subcategory	Item Description	Public Hearing
			Housing, adding provisions relating to residential energy disclosure.	

PREVIOUS ACTIONS

[2018-01331 - Residential energy disclosure ordinances](#)

[2018-00849 - Minneapolis' 2016 Greenhouse Gas Emissions Inventory Update and Energy Benchmarking Annual Report](#)

WARD / NEIGHBORHOOD / ADDRESS

#	Ward	Neighborhood	Address
1.	All Wards		

BACKGROUND ANALYSIS

The City of Minneapolis Climate Action Plan and 2040 Energy Vision set greenhouse gas emission targets of 15% by 2015, 30% by 2025 and 80% by 2050 from a 2006 baseline. The city achieved the 2015 target and will need to continue to make significant strides to attain the latter goals. Currently, approximately 20% of emissions stem from energy use in residential buildings, showing there is significant opportunity for energy and subsequent greenhouse gas emission reductions in this sector.

Energy use not only affects climate, it also affects housing affordability. Minneapolis residents use energy to heat, cool, and power their homes. The more efficient the home, the lower the resident's energy usage and utility cost. Addressing housing energy costs has potential to move on city goals around equity and housing affordability.

Our current US economic system establishes price based on available information, but the energy efficiency of residential buildings is currently invisible in the marketplace. Without energy information, the market cannot factor energy efficiency as a price component. Disclosing energy information and making efficiency visible allows the market to incorporate and value energy efficiency. This has been widely recognized as a critical step to fostering action and reducing energy use along with related costs and emissions.

The energy disclosure proposals build off of the existing commercial building rating and disclosure policy and advance three strategies identified in the Climate Action Plan:

- Create time-of-sale and time-of-rent energy label disclosure
- Help 75 percent of Minneapolis homeowners participate in whole-house efficiency retrofit programs by 2025, ensuring the distribution reflects the current percentage of low and moderate income home ownership in the city.
- Help 75 percent of Minneapolis renters and rental property owners participate in efficiency retrofit programs by 2025, with a distribution that reflects the current percentage of low and moderate income rental housing in the city.

By expanding the rating and disclosure policy and implementing the first strategy, building owners, the utilities, and the City will be better equipped with the information needed to address the latter two strategies. Below, is further detail on the background and context of the proposed policies.

TIME OF SALE ENERGY DISCLOSURE



Single-family homes represent a large opportunity for reducing energy use and carbon. 90% of Minneapolis homes were built before the first energy code was adopted in 1980. Data from the Minneapolis homes that have received energy audits show that a large majority – 70% – lack wall or attic insulation, and are not adequately air-sealed. Insulating and air-sealing these homes would result in nearly \$8 million in energy savings annually and reduce carbon emissions by over 50,000 tons.

Energy is also a large cost of ownership, at over \$1,800 per year on average, but the energy performance of a home is currently not visible in the market. This time-of-sale energy disclosure policy will make this information visible through an energy rating and report that will be part of the truth-in-sale of housing (TISH) program. The report will provide recommendations for how to improve the home’s energy performance, which can save homeowners up to 30% in energy costs.

The City and the Center for Energy and Environment (CEE), completed a pilot to test the feasibility of adding energy disclosure to the TISH process. The pilot found that TISH evaluators are already collecting energy data, but a few additional data points are needed to generate a quality energy report. The first is a visual inspection of the wall insulation. This is done by drilling and capping a small hole in a discrete location like a closet or cabinet. This method for determining wall insulation has been the standard, field-proven diagnostic technique for determining wall insulation levels for over 40 years, as performed by the Federally-funded Weatherization Assistance Program and over 9,000 audits in Minneapolis homes. This method for verifying wall insulation levels typically takes 5 minutes.

The second is a blower door test to measure the air-leakage of the home. This test uses a large fan setup in a doorway to measure how leaky the house is. The fan pulls air out of the house until it reaches a specified pressure where the leakage is recorded. This is a standard practice that is used internationally and developed in Minneapolis. This test is required for all Federally-funded Weatherization Assistance Programs, newly constructed homes, and completed for energy audits. This test typically takes 20 minutes.

Incorporating energy disclosure into TISH builds off of the energy data already collected at this visit, and the processes already in place at the City. Rather than requiring a separate energy visit, like other cities with similar policies (Austin, TX, Portland, OR and Berkley, CA), this streamlined process will save the home seller and City time and money in comparison to these other programs.

The energy report will include recommendations for home energy upgrades, as well as a pathway for completing these upgrades. It will outline key resources available to homeowners like the City's 0% financing, utility rebates, and weatherization assistance for low-income households. This report will connect homeowner to energy advisors as well as utility programs for completing this work. These programs have vetted contractors and quality assurance to ensure that work is completed correctly.

This policy will create a more informed market that accounts for home energy performance and incentivizes homeowners to improve their homes energy use. Energy disclosure has proven to be an effective method for improving energy performance in cars, appliances (Energy Star) and in housing. This policy will be a very important and is needed for the City to meet its climate goals.

RESIDENTIAL ENERGY BENCHMARKING

In 2013, Minneapolis was the 7th city in the United States and the first in the Midwest to adopt a benchmarking policy - Commercial Rating and Disclosure. It requires whole building energy benchmarking for large commercial buildings (50,000 sq.ft. and greater) to be submitted to the City and high level efficiency metrics to be disclosed to the public on an annual basis. After the policy being in place for multiple years, the outcome has been an average energy savings of 1% per year through 2016. The results are also being used as a tool for the City and utilities to

develop programs and target outreach to the buildings with greatest opportunity to further accelerate savings.

Since Minneapolis adopted its commercial benchmarking policy, dozens of cities around the country have adopted similar policies, and at least 18 city policies apply not only to mid-size and large commercial buildings, but to mid-size and large residential buildings as well. Results from those cities show similar and often even greater energy reductions to what has been seen in Minneapolis commercial buildings. Also in the last few years, Xcel Energy and CenterPoint Energy have developed tools that facilitate whole building energy data aggregation and data transfer to the standard benchmarking tool, ENERGY STAR Portfolio Manager. These tools facilitate practical and simple whole building benchmarking for buildings with multiple tenants.

Property owners and managers of larger buildings (50,000 sq.ft. and greater) are typically more sophisticated and have the capacity to benchmark, and for that reason, the proposal maintains the size threshold as it expands the energy benchmarking requirement to residential buildings.

Energy benchmarking is an industry best practice employed by nearly half a million buildings each year in the United States and takes just a few hours each year to complete. The process brings together two silos of information that have never been brought together before: building characteristic information and utility data. Doing so yields high level metrics that quickly and easily indicate the energy performance of a building. Without this data, real estate consumers including owners, buyers, and tenants have little information available to distinguish an efficient building from an inefficient one. In addition, building owners have little context as to how much energy savings opportunity is available in a particular building, and a tenant has little understanding of the potential utility cost implications, a not-insignificant component of total housing costs. Benchmarking allows a property manager to see how a building's performance compares to peer buildings and to itself over time and make informed decisions on potential improvements. For tenants, the information gives awareness of the efficiency of the building and empowers them to choose to lease in buildings that align with their budget and values.

1. the Climate Action Plan sets specific goals of 20% and 15% energy efficiency improvements in the commercial and residential sectors respectively, but based on recent data the city needs to accelerate energy efficiency actions in order to achieve these goals. Energy evaluations provide a deeper and more action-oriented level of efficiency information about a building. They have been available from the utilities for years, but because they have been voluntary, the least efficient buildings have not necessarily been receiving this valuable information. At least 10 cities require some sort of beyond benchmarking energy evaluation or action. The City is unable to set energy standards or requiring energy efficiency improvements due to State-level building code authority. However, the city can encourage efficiency improvements by implementing a requirement for the least efficient quartile of the benchmarked buildings to receive and provide proof of an energy evaluation every five years. Understanding the potential financial hardship to building owners, the evaluation component of the policy is only in

effect if there is a no-cost evaluation option available. Currently, no-cost evaluations are available through the utilities for multi-family residential buildings.

TIME OF RENT ENERGY DISCLOSURE

In the past decade, the proportion of residents renting in Minneapolis has eclipsed that of those owning homes, and shows no sign of abating. Currently, 52% of Minneapolis residents are renters. This population is most vulnerable to growing housing costs, which contribute to the city's homelessness crisis and affordable housing gap. When choosing housing, tenants need energy cost information in an easily accessible format to plan ahead and make the best decisions for their budgets.

The City does not require leases for rental properties, and landlords have various processes for acquiring tenants. However, the majority of landlords advertise vacancies online or require rental applications. These are opportunities where landlords can provide easy access to energy information specific to a rental unit via a website link. Where a landlord is unable to provide prospective tenants with an online link to the energy information, posting the information in a common, accessible space of the building can serve the same purpose.

Because larger buildings (50,000 sq.ft. and greater) will be benchmarking annually, the energy disclosure requirement at the time of rent for these buildings will be to link or post the benchmarking information. For smaller buildings, landlords will be required to supply energy cost information that will be made available on a utility web-based portal. The 2019-2021 Minneapolis Clean Energy Partnership Work Plan supports this proposal with item EE5 titled, *Support Residential Energy Disclosure Policies by Making Data Accessible with Tools*.

Combined these residential energy disclosures will touch all residential units in Minneapolis. By providing easy to understand information to homeowners, property owners and renters these proposed ordinance amendments will accelerate the the implementation of energy efficiency measures and help achieve the city's climate action goals.

FISCAL IMPACT STATEMENT

No fiscal impact anticipated	
------------------------------	--