

# Residential Rental Energy Solutions

A CPEP6 Contest Proposal: April 16, 2010

1. Contact Person: Suzanne Doyle
2. Others on Team: Shirley Johnson, Veronica Jacobi
3. Sierra Club, Sonoma Group, Climate & Energy Committee
4. Email of contact person: carsort@sbcglobal.net
5. Emails for others on team: Shirley Johnson – shirlgirl707@yahoo.com
6. Mailing address: 2121 Slater St., Santa Rosa CA 95404
7. Phone for contact person: (707) 575-8470
8. Title of solution  
RESIDENTIAL RENTAL ENERGY SOLUTIONS (RRES)
9. Description: The new County Retrofit Program is targeted mainly at owner-occupied homes, and does not specifically target the residential rental sector which makes up 37% of the housing units in Sonoma County (U.S. Census Bureau, 2008). The Residential Rental Energy Solutions (RRES) Program will address the differing needs of renters and landlords and facilitate energy efficiency and renewable energy upgrades to rental buildings that will reduce building GHG emissions. Essential features of RRES will include: marketing aimed specifically at landlords and tenants, a mechanism for calculating fair rent adjustments between tenants and landlords to pay for upgrades, a “Green Rental” certification program, and financing strategies.
10. Names, titles, affiliations, email addresses and phone numbers for up to 3 people who are familiar with and who endorse your entry.

Veronica Jacobi, Santa Rosa City Councilmember

11. Check to be made payable to: Sierra Club, Sonoma Group  
P.O. Box 466, Santa Rosa CA, 95402

A. DESCRIPTION

The RRES program would market energy efficiency and GHG reduction to owners and property managers of all types of rental properties. Specifically, the actions promoted would come from a menu including: lighting, building envelope improvements, water conservation, water heating, appliances, space heating, solid waste best practices and solar energy production. This menu would include only upgrades for which GHG reductions can be quantified and would be a substantial subset of the upgrades allowed under the Sonoma County Energy Independence Program (SCEIP). Upgrades could be self-financed or financed through SCEIP or a TIP.

Incentives would include free audits (which would require obligatory small actions such as changing lightbulbs), information about state, federal and utility rebates, expert advice, SCEIP financing, and a ‘Shades of Green Rental’ certification. This certification would be made public on the county website for prospective renters to browse and would distinguish between different levels of Green rentals. A building owner who had already made improvements could pay for the audit to become ‘Green Rental’ certified.

**Menu of Upgrades** The menu of recommended actions would overlap substantially with actions allowed under SCEIP, but would be prioritized by maximum greenhouse gas reduction per dollar invested and would need to be tailored to include the wide range of existing rental housing, from mobile homes to multi-unit buildings.

A. list of improvements which can be funded under SCEIP can be found here:  
<http://sonomacountyenergy.org/carbon-free-energy.php - residential>

**Financing Options** Including the rental community has been challenging for retrofit and energy efficiency programs. AB811/Mello-Roos financing based on property tax may be a bit more attractive to rental property owners than other options, but it may not motivate rental property owners on a large scale. A Tarriffed Installation Program (TIP) may be the only way to address the principle-agent barrier with financing. Providing funding for renters will most likely be optimal through a TIP program/on-bill financing mechanism whereas the renter is responsible for the payment via electricity bill and is linked to the location instead of the customer.<sup>1</sup>

## B. OBJECTIVE

Each part of our community will need to invest in upgrades for energy efficiency and in renewable energy in order for us to reach our GHG emissions reduction goals. Buildings are an important source of emissions and provide a great opportunity for renewable energy installation, but the different needs of renters and building owners can make the rented building sector a difficult one to reach. Market mechanisms for energy efficiency like rebates, lower cost, and cheap financing are known to fail when the energy user is

---

<sup>1</sup> CA Green Stimulus Energy Recommendations for CEC\_042709,  
[http://www.californiagreenstimulus.org/downloads/CA\\_Green\\_Stimulus\\_Energy\\_Recommendations\\_for\\_CEC\\_04-27-09.pdf](http://www.californiagreenstimulus.org/downloads/CA_Green_Stimulus_Energy_Recommendations_for_CEC_04-27-09.pdf)

not the same person as the purchaser of energy upgrades. (Sathaye, 2006).<sup>2</sup> Information describing the urgent need for action, financing help, an energy savings calculation that could be used for fair rent increases, and a focus on maximum GHG reduction per money invested can help to bridge this gap.

The objective of the RRES program is to increase energy efficiency in rented residential buildings which would make quantifiable greenhouse gas reductions. If the program is successfully expanded to reach half of the County's rented housing units, we could see a reduction of up to 10% of the County's GHG emissions.

### C. BARRIERS

Informational: Landlords may not be aware of rebate options, the SCEIP financing option, or of the great benefits of energy efficiency for their tenants, the climate and energy self-sufficiency.

Ideological: Some rental property owners may be ideologically opposed to taking action on climate issues.

Economic: Some rental property owners may be reluctant to take on any financial expense. However, if a fair raise in rents can be calculated, which would allow owners to be at least partly reimbursed for energy investments, but would be nullified for tenants by the decrease in their energy costs, it may be possible to persuade both landlords and tenants to take the financial risk.

### D. ENTITIES RESPONSIBLE

As a joint program of County and Cities, the RRES should be administered by the Regional Climate Protection Authority (RCPA). A number of communities are working on programs that address this problem, including Austin, Boulder, Fort Collins CO, New York State, Milwaukee, Babylon, RI, Alameda County and Pennsylvania.

### E. AMOUNT AND TIMELINE FOR GHG REDUCTIONS

#### Timeline

End of 3 months:

- Create information package for rental building owners and property managers.
- Create information sheet for renters.
- Create list of owners and managers from property tax records and other.
- Create 'Shades of Green Rental' multi-level credential system – to be hosted on county website.
- Marketing campaign targeted at both renters and owners.

---

<sup>2</sup> Jayant A. Sathaye, "US Residential Energy Use Affected by the Principal Agent Problem," presented at Barriers to Energy Efficiency, Sydney, Australia, March 2006.

End of 6 months:

Create calculator for fair rent increases, depending on who pays the utility bills, upgrade value and energy savings for tenants.

Pilot program – find large property owner willing to pilot.

Identify grant funding for expansion of program.

Depending on the menu items chosen by property owners, energy savings could be in the range of 5-50% for the percentage of the 66,405 rental units in county that use the program. (The larger number assumes installation of solar panels.) The RRES program has the potential to not only reduce our county GHG emissions by up to 10% (since emissions from residential buildings are estimated to produce 22.8% of the County's total emissions<sup>3</sup>), but could be eventually expanded to also address rented commercial buildings, which contribute another 15.5% of total emissions.

#### F. ESTIMATED BUDGET

\$200,000 for program coordinator and misc. help from county staff.

\$500 for each walk-through audit/consultation

all upgrades except light bulbs paid for by owner.

#### G. DISCUSSION:

**POLITICALLY FEASIBLE** There should be nothing controversial about this program except finding seed money in our very tight local budgets. The RRES program will create jobs, stimulate the economy, reduce greenhouse gas emissions, and make our community more resilient against energy price shocks. If grant money can be found, the RRES program will bring money into the County.

**REPLICABLE AND SCALABLE** Because of the minimal investment of time and money to get it started, this program could be operated on a small scale, or expanded as needed. It will provide jobs for people who've been through green building training courses, and it could bring in grant funding with time.

**SOCIALLY JUST** This program will bring energy efficiency into the homes of lower-income county residents, who cannot afford energy efficiency upgrades on their own. Many renters feel helpless with respect to reducing home energy use, but would like to participate in reducing greenhouse gas emissions.

---

<sup>3</sup> Dave Erickson and Ann Hancock, *Status Report for Sonoma County - 2009*, available at: <http://www.climateprotectioncampaign.org/reports/index.php>.