SMALL MULTIFAMILY ENERGY EFFICIENCY RETROFITS

Residential multi-family properties represent not only a significant share of the housing stock in the Northeast and Mid-Atlantic region, but a significant opportunity to capture energy efficiency savings through cost-effective retrofit measures.

The nature of the multi-family housing stock – and, in particular, the small multi-family sector – creates a unique set of challenges.

THE CHALLENGE

The multi-family housing sector presents energy efficiency program administrators with a far more complex market than the single-family residential or commercial sectors. This complexity is further exacerbated in the small multi-family sector, which includes market actors and forces that are often more reflective of the single-family residential market, though it is technically categorized as a commercial market sector.

Overcoming market barriers in the small multifamily arena is a considerable challenge – one which policymakers and energy efficiency program administrators have struggled with for years. And, while market barriers exist for the entire multi-family sector, small multi-family properties face specific market barriers and challenges including:

- **Limited data on and ability to reach owners**.
- **Limited capacity for building improvements and access to capital for owners**.
- **Limited focus by federal, state, and local housing programs**.

RECOMMENDATIONS

Given the challenges listed above, policymakers and other stakeholders need to focus on making the multi-family sector a key outreach sector target, both in terms of policies and program strategies. This report identifies several potentially promising policy options and opportunities for enhancing the energy efficiency opportunity in small multi-family properties in the region. Among these are:

- **Improve disclosure of energy information to drive market valuation of building energy performance**.
- **Support continued work on energy efficiency heating fuel programs**.
- **Support a new financing policy proposed by the Obama Administration.**
- **Create new initiatives and "one stop" programs that specifically focus on small multi-family retrofit.**

THE FACTS

- In the Northeast and Mid-Atlantic region, the small multi-family housing sector – defined as housing in buildings with between five and 20 units – accounts for approximately 2.1 million occupied housing units out of a total of 26 million total housing units.
- More than 95 percent of the small multi-family stock is located in large urban areas. Nearly three quarters of the rental units are more than 30 years old, and 44 percent are more than 50 years old. Only seven percent of the stock has been built since 2000.
- Of the total number of multi-family units in the region, 86 percent of the small multi-family units are rentals, and as a group, they account for more than 40 percent of all multi-family rentals in the region.
- About 70 percent of lower-income renters live in small multi-family rental properties, which are primarily privately owned and are concentrated in the northeastern part of the nation.

For more information about multifamily retrofit projects please visit NEEP's Multifamily Resource Center where you can find related resources including a Comprehensive Regional Multifamily Program Matrix.

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BENCHMARKING & DISCLOSURE IN THE MULTIFAMILY HOUSING MARKET

Significant and untapped opportunities exist to improve the energy efficiency of the nation's multifamily housing stock. Studies have shown that reducing energy costs in the multifamily sector can help preserve rental housing affordability, increase property values, and create a healthy and comfortable living environment for occupants. Benchmarking and disclosure policies applied to the multi-family housing market would drive and sustain the demand for energy efficient multifamily properties.

Data from recent studies indicates that improving energy efficiency in multi-family housing can help to achieve:

ENERGY COST SAVINGS & GREATER LOCAL HOUSING AFFORDABILITY:

- A 2009 study conducted by the Benningfield Group indicates that the multifamily sector has an "achievable potential" of 30 percent improvement in energy efficiency by 2020.
- The same study estimates $9 billion in energy cost savings for building owners and tenants
- ACEEE and CNT estimated in a 2012 study that multi-family housing stock participating in utility energy efficiency program would create annual utility bill savings of more than $3.3 billion for building owners and tenants.
- Energy efficiency retrofits conducted on more than 21,000 affordable housing units in New York City generated reduction in energy costs by an average of $240 and $50 per units for fuel and electricity, respectively (Deutsche Bank Americas Foundation 2012).

INCREASED PROPERTY VALUE:

- ENERGY STAR buildings sell for an average of $61/SF more than their peers
- LEED buildings sell for an average of $171/SF more than their peers
- EPA data shows that $1 in energy can add up to $3 in asset value

OCCUPANT HEALTH AND COMFORT:

- A 2012 report by the National Center for Healthy Housing found improved occupant comfort and general health after surveying residents living in single family and multi-family housing before and after weatherization projects

UNDERWRITING:

- A 2013 report by the Institute for Market Transformation found an average of 32% reduced rate of mortgage defaults in energy efficient homes

LOCAL JOB CREATION:

- Investing $40 million annually in residential energy retrofits would create 4 million jobs per year

WHAT ELSE CAN BUILDING ENERGY RATING DO?

✓ Create jobs in a down economy - *better for families*

✓ Reduce energy costs for building owners, consumers, and businesses – *better for your wallet*

✓ Reduce annual energy consumption – *better for the environment*

CURRENT ENERGY RATING & DISCLOSURE POLICIES:

✓ 2 states (California and Washington)

✓ 13 major cities including **Atlanta**, **Berkeley**, Minneapolis, **Cambridge**, **Austin**, **Boston**, **Philadelphia**, San Francisco, Portland, **Seattle**, **Chicago**, **New York City** plus **Disctrict of Columbia**

* **Bold:** provisions of the law apply to multifamly properties

Sources: Energy Transparency in the Multifamily Housing Sector (IMT 2012); U.S. Multifamily Energy Efficiency Potential by 2020 (Benningfield Group 2009); Engaging as Partners in Energy Efficiency: Multifamily Housing and Utilities (ACEEE & CNT Energy 2012); Recognizing the Benefits of Energy Efficiency in Multifamily Underwriting (Deutsche Bank Americas Foundation 2012); The Benefits of Energy Efficiency in Multifamily Affordable Housing (Deutsche Bank Americas Foundation 2012); Summary of the Financial Benefits of ENERGY STAR labeled buildings (US EPA 2006); Home Energy Efficiency and Mortgage Risks (IMT & UNC 2013).