

# Energy Efficiency in Affordable Multifamily Buildings Benefits Minnesota's Utility Customers, Families, and Communities

**Affordable housing is critical for low-income Minnesota residents, but many affordable multifamily housing units are in need of repair and come with high energy bills. Increasing the energy efficiency of multifamily rental housing saves energy, improves residents' health and comfort, and helps to maintain reasonable living costs. Improving the efficiency of these buildings also helps Minnesota meet its Conservation Improvement Program energy savings goals and contributes to the preservation of the state's affordable housing stock.**

## Benefits of Increased Energy Efficiency in Affordable Multifamily Buildings

### COMMUNITIES



Helps maintain the affordability of housing by mitigating risks related to uncertain energy costs. There are only 38 affordable housing units available for every 100 extremely low income renters in Minnesota.<sup>1</sup>



Creates jobs. Clean energy employment in Minnesota surged 78 percent between January 2000 and the first quarter of 2014, growing steadily through the recession. In comparison, the state's total employment grew only 11 percent over the last 15 years. More than 15,300 workers are employed in a range of clean energy sectors in Minnesota. Of these workers, about 60 percent are in the energy efficiency sector.<sup>2</sup>

### OWNERS



Reduces operating costs for owners of affordable buildings, who estimate that energy accounts for up to 20 percent of their overall costs.<sup>3</sup> Utilities are one of the largest operating expenses for multifamily building owners nationwide; more than \$1.2 billion was spent on operating multifamily buildings across the state in 2013.<sup>4,5</sup> Lowering operating costs for building owners can help them maintain affordable rents, invest in resident services, and free up capital to preserve additional housing.

### RESIDENTS



Reduces the burden of energy bills for the 67 percent of low-income Minnesota renters who spend more than 30 percent of their household income on rent and utilities.<sup>6</sup>

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Creates healthier, more comfortable living environments that can reduce instances of illness like asthma, which can be a major cause of missed school and work.<sup>7</sup>

## UTILITIES



Helps utilities meet their Conservation Improvement Program goals by tapping the energy savings potential of an underserved market.



Improves customer relations with the more than 600,000 Minnesotans (11 percent) who live in multifamily buildings of five units or more by improving the buildings they live in.<sup>8</sup> Of Minnesota's nearly 439,000 multifamily units, more than 260,000 are estimated to be affordable, whether public, subsidized, or unsubsidized.<sup>9</sup>



Reduces bill payment issues and related costs for utilities by lowering the energy bills of low-income customers. This is especially important since renters' housing costs (including utilities, and controlling for inflation) have increased 7 percent since 2000 while their household incomes have fallen 17 percent.<sup>10,11,12</sup>

## Progress has been made toward increasing the energy efficiency of Minnesota's multifamily housing, but opportunities for significant additional energy savings are being missed.

### ENERGY EFFICIENCY RESOURCES THAT ARE SPECIFICALLY TARGETED TO THE MULTIFAMILY SECTOR ARE LIMITED.

- In their state-mandated Conservation Improvement Programs (CIP), Minnesota utilities must achieve annual energy savings of 1.5 percent. Electric utilities must spend at least 0.2 percent of residential gross operating revenues (GOR) on programs serving low-income customers, while gas utilities must spend 0.2 percent of GOR if they are municipal and 0.4 percent of GOR if they are public.<sup>13</sup>
- In 2015, Xcel Energy and CenterPoint Energy launched a groundbreaking "one-stop shop" style program for energy efficiency measures in multifamily buildings. It is estimated that in 2016, this program will reduce annual electricity use by 1,070,130 kWh and gas usage by 2,727 Dth. However, in 2016, the program will only reach 100 of the 14,000 buildings that the utilities estimate are eligible to participate.<sup>14</sup>



- The majority of utilities serving the sector have traditionally provided rebates for individual energy-saving installations rather than deploying a more comprehensive approach. This means that there is still a tremendous amount of untapped energy savings available in Minnesota.
- Community Action Agencies in Minnesota were able to perform some multifamily weatherization projects in the past through funding from the American Recovery and Reinvestment Act. However, as funding dwindled, so did such projects.

## Many factors make it difficult for affordable multifamily building owners to invest in energy efficiency repairs and improvements.

It is especially important to tackle the unique barriers faced by affordable multifamily buildings, where roughly 60 percent of Minnesota's multifamily households live. Smart, expanded programs for the affordable multifamily housing sector could provide significant energy savings and improve aging housing stock within the state. A 2015 potential study covering Michigan, Illinois, and Missouri found maximum achievable potential energy savings in the affordable multifamily sectors of those states ranging from 15 percent to 26 percent for electric and 11 percent to 17 percent for natural gas.<sup>15</sup>

### KEY BARRIERS INCLUDE THE FOLLOWING:

- Insufficient capital and access to incentives
- Lack of access to tailored multifamily programs
- Insufficient support for comprehensive, whole-building energy retrofit projects
- A lack of innovative financing options

### In order to realize the significant untapped energy savings and many other benefits available from investing in energy-efficient multifamily affordable housing, Minnesota will need to do the following:

- Remove barriers and expand existing multifamily program offerings.
- Increase the level of investment in this sector as well as the availability of tailored, innovative programs within the Conservation Improvement Program that are designed to meet the unique needs of multifamily buildings.
- Through the Minnesota Pollution Control Agency (MPCA), engage in a robust multi-stakeholder process and implement the Clean Power Plan and Clean Energy Incentive Program in a way that stimulates energy efficiency improvements in affordable multifamily buildings. The MPCA should focus on commonsense



compliance options to ensure that the state meets its emission reduction requirements while providing benefits to vulnerable populations, including low-income families. Giving top priority to investments in energy efficiency is a cost-effective means of reducing carbon emissions while providing multiple benefits, including lower utility bills, to vulnerable communities. Since 27 percent of households in Minnesota are renters, the state's plan must include focused strategies to reduce energy consumption in rental housing.<sup>16</sup>

### Current energy efficiency programs that serve Minnesota's affordable multifamily housing vary widely. The following are best practices for designing new programs or implementing existing programs to more effectively reach the target population:

- Develop programs specifically targeted to multifamily affordable housing.
- Establish or increase reduction targets specific to affordable multifamily housing within existing efficiency programs.
- Structure incentives to achieve whole-building savings.
- Improve building owners' access to energy usage information.
- Help building owners finance efficiency projects by tailoring incentives to fit within conventional purchase and refinancing loans, partnering with lenders active in the local market, and exploring on-bill payment arrangements.
- Assure coordination across programs to reduce barriers to participation and count savings across electricity, gas, and water programs.
- Encourage partnerships with key local market participants, especially the Minnesota Housing Finance Agency.

Minnesota case studies of successful energy efficiency retrofits in affordable multifamily buildings can be found at: [www.mnshi.umn.edu/projects/EE4A.html](http://www.mnshi.umn.edu/projects/EE4A.html).

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This fact sheet was produced in coordination with the Minnesota Multifamily Affordable Housing Energy Network, a network working toward more effective utility programs serving the multifamily affordable housing market in Minnesota; higher program participation; greater communication and connectivity between energy efficiency and housing programs; and regenerative networks connecting stakeholders across the energy and housing sectors. This work is part of Energy Efficiency for All: [www.ee4a.org](http://www.ee4a.org)

### Endnotes

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