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## Boulder looking to help landlords make rental units more energy-efficient

By Rachel Cernansky For the Camera  
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Kyle Wille, at left, and Hunter Silva work together to apply insulation to the wall of a Boulder home earlier this month. Landlords will have to make energy-efficiency upgrades to their Boulder properties -- such as replacing old furnaces, adding insulation and installing new appliances -- if a proposed set of rules is passed by the City Council next year. ( JEREMY PAPASSO )

What would the rules for rentals look like?

Boulder is considering rules that would require landlords to make energy-efficiency upgrades to their properties. Here's a look at how the "SmartRegs" program would likely work:

Landlords could choose between making improvements that meet a performance-based measure -- meaning that the upgrades together bring the rental up to an agreed-upon level of overall efficiency -- or that satisfy a point-based system, which allows property owners to choose a few specific upgrades, such as new windows or insulation, from a list of choices.

The new rules would be enforced when landlords renewed their rental licenses, which must be done every four years. The city has proposed several options for phasing in the upgrades, which may allow landlords to meet the new requirements over a series of license renewals.

Total costs would be capped at a "feasibility threshold," which would limit how

Boulder is seeking a unique way of mending the debate between landlords and tenants on energy-efficiency -- a single program for homeowners to meet proposed new standards.

The new energy-efficiency recommendations for rental housing have caused an uproar in Boulder, but there's a second, private-sector arm to the city's greenhouse gas reduction effort in residential spaces that has received less attention, and will ultimately help property owners meet whatever new standards come to pass.

Although the necessary upgrades will vary from property to property, in many cases they will place a costly and time-consuming burden on landlords. For example, a new furnace can cost several thousands dollars, while water heaters range from about \$500 to \$3,000.

The heart of the problem is not new: in rental housing, with tenants often paying the energy bills, landlords have no incentive to make efficiency upgrades. But most renters do not stay long enough to justify the expense of paying for the upgrades themselves.

So the city is reviewing proposals from private contractors to develop a business model described as a "one-stop shop" to provide residents with everything from the initial visit for inspection and installation of low-cost efficiency measures, to education for landlords and tenants on behavior changes, to more significant and costly retrofits -- and the financing options to help get those done.



Ed Anderson of Longs Peak Energy Conservation lifts a new furnace into a mobile home last year in Boulder. Landlords will have to make energy-efficiency upgrades to their Boulder properties -- such as replacing old furnaces, adding insulation and installing new appliances -- if a proposed set of rules is passed by the City Council next year. ( CORA KEMP )

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much money landlords have to invest per unit to meet the standards. The limit could be a lifetime cost or a per-rental license investment.

The city may create a RentSmart database that would rate properties on their overall energy efficiency and provide that information to potential renters.

For more information, to comment on the proposed rules online or to watch a video about SmartRegs, go to [bouldercolorado.gov/smartregs](http://bouldercolorado.gov/smartregs).

#### Other cities' ideas

The following programs were among the examples listed in the city's "Two Techs and a Truck" request for proposals:

The Babylon Project in Long Island, N.Y.: A financing scheme in which money from a solid waste fund is used to pay the initial costs of efficiency improvements, and homeowners pay back the costs in increments, while also receiving lower utility bills. [thebabylonproject.org](http://thebabylonproject.org)

Houston's Residential Energy Efficiency Program: Under a campaign dubbed Power to People, the city formed a partnership with the area's electricity distribution company to offer weatherization services, in eligible communities, to anyone who signed up, free of charge. [houstonpowertopeople.com/](http://houstonpowertopeople.com/)

MainStreet Efficiency: An independent company that works with corporate and community partners on energy efficiency and uses software that allows clients to monitor real-time results. [mainstreetefficiency.com](http://mainstreetefficiency.com)

The Bay Area's Recurve -- 1BOG (1 Block Off the Grid) partnership: Community organizer 1BOG finds groups of homeowners interested in retrofits, while retrofit firm Recurve (formerly Sustainable Spaces) offers a 15 percent discount to participants who sign up for services. The group approach benefits homeowners by reducing costs, and Recurve by boosting its clientele. [sustainablespaces.com/news](http://sustainablespaces.com/news)

Palm Desert Energy Partnership: The city of Palm Desert formed a partnership, called Set to Save, with Southern California Edison, Southern California Gas Company and the Energy Coalition to offer rebates and incentives for residents and businesses to become more energy-efficient. [settosave.com](http://settosave.com)

What this will ultimately look like is not yet clear, but the city hopes to figure it out, at least for a pilot phase, by the first quarter of 2010, and to roll out the program in full by the middle of the year.

Yael Gichon, Boulder's residential sustainability coordinator, said ideally, the program, tentatively called "Two Techs and a Truck," will draw on the best elements of various efficiency programs already in place around the country.

The final design, however, is likely to be the first program of its kind in the country.

"We're coming at it from a different angle," Gichon said.

Some initiatives, like Houston's Residential Energy Efficiency Program, have offered heavily subsidized weatherization measures, but no existing program in the country has featured the range of home improvement options, nor the goal of asking property owners to take on most of the costs themselves, the way that Boulder is looking to do.

Having set greenhouse gas reduction goals more ambitious than most other cities, Boulder is looking for an equally ambitious business model that would make the proposed new efficiency standards more logistically and financially feasible for residents to meet.

The task has not come without challenges. The proposals, six of which are currently under review, must include a strategy for upgrades in rental housing and a possible code compliance.

And they must outline how existing outreach and efficiency efforts will fit into the new model, ensure an adequate number of trained contractors, provide for third-party verification and data tracking, address the city's role in the model and how city funding should be spent, and finally, preserve market competition.

How to ensure this last element is one of the largest question marks.

"Our hope is not to have it be a sole-source situation where all business goes to one contractor," said Gichon, with the city of Boulder. "What's not defined is if it's going to be one company or a number of companies -- maybe it'll be a central administrative body and a number of certified contractors to actually do the work."

Outside of the staunch opposition from some landlords to the proposed rules, there seems to be a general consensus of support for the new efficiency standards as well as for the city's effort to create a viable model to help property owners achieve them.

It's very clear that there needs to be an energy efficiency program for renters, because unfortunately renters don't have any power in terms of making their homes energy-efficient and being comfortable," said J.C. Martel, energy efficiency program manager at the Center for Resource Conservation in Boulder.

Unlike in commercial leases, she said, residential tenants "don't have nearly as much control over efficiency. They can't retrofit -- they can change light bulbs, but they can't change fixtures."

Some landlords who oppose the proposed regulations can see potential in the "Two Techs" program if it is designed to provide significant financial assistance, but they are not confident that will be the case.

If efficiency is a priority for the City Council, "it would seem logical for the city to put resources into helping landlords improve their efficiency," said Sheila Horton, executive director of the Boulder Area Rental Housing Association (BARHA). "They say they want this, but we haven't seen any money."

Gichon said the city would like to subsidize more home improvements, but it uncertain on how to fund them.

Aside from cost, landlords have other concerns about "Two Techs." BARHA president Dan Estey wants to know, essentially, "who's going to be doing the work?"

What will the training qualifications be of the individuals doing the work, what would the insurance look like, would they have background checks?

As a property owner, he said, "I want control over who enters and makes modifications to my properties."

If these questions can be answered, the notion of "Two Techs" providing low-cost energy audits and subsidized service packages seems to appease some landlords.

It's an approach that falls exactly in line with at least part of what the city envisions for the program, offering encouragement that the new model could finally solve the tension between tenant and landlord over who bears more responsibility for reducing energy consumption in apartment buildings.



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That dilemma has come to be known as the split incentive -- a misnomer, if you ask most energy efficiency advocates, including the University of Colorado Environmental Center's Robert Hall, who would rather it be called a lack of incentive.

When it comes to energy efficiency, "most landlords aren't as cautious as they are in their own home," said Weingardt, though she added that doesn't let renters off the hook, either.

The "Two Techs" model would provide for both the physical upgrades, which would make buildings more intrinsically efficient, and the outreach and education element, so that efficiency improvements aren't spoiled by poor behaviors such as leaving lights on or windows open during the winter.

Poor tenant behavior is the explanation given by many landlords for wasted energy, but complaints are common from tenants who are uncomfortable in their homes because drafty windows, for example, make it nearly impossible to keep warm, at least while maintaining affordable energy bills. Some have even commented that their building's common spaces are warmer than their own apartments.

The split incentive is not unique to Boulder. It has been one of the most pressing issues facing energy-efficiency in multi-family dwellings around the country, and though various initiatives by both public and private entities have made some headway, no one has found a comprehensive solution.

According to Cara Carmichael, a senior consultant at the Rocky Mountain Institute, the problem lies not in structural hurdles, but at least in large part, in transparency, and helping "to build trust between tenant and landlord, which often can be a barrier in overcoming the split incentive."

"It's getting the two parties to talk together," said Carmichael. "The tenant should be made aware of their energy use so they can make better choices and I think that often doesn't happen."

Ideally, the "Two Techs" program will address this and other points that have long been universal oversights in how to solve the split incentive issue.

There are also aspirations for the "Two Techs" program to resolve a number of the other uncertainties remaining in the proposed efficiency rules, such as how to address Home Owner Association-controlled condominiums, and potentially how to design a cap on investments that is fair to landlords yet allows the investment to "equate with greenhouse gas emissions reductions," said Gichon.

"Two Techs" will be the missing link," said Martel. "It's going to fit in really well into the full suite of residential energy efficiency programs that are currently offered by Boulder County."

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