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**Title:** RESOLUTION CREATING THE RENTAL ENERGY UPGRADE PILOT PROGRAM, APPROVING PROGRAM GUIDELINES AND AUTHORIZING THE DIRECTOR OF PUBLIC WORKS AND UTILITIES TO ADMINSTRATE THE PROGRAM IN CONFORMANCE THEREWITH AT A COST NOT TO EXCEED \$125,000.

**Sponsors:**

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**Attachments:** 1. Exhibit A, 2. Staff Report, 3. Staff Report, 4. Staff Report

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RESOLUTION CREATING THE RENTAL ENERGY UPGRADE PILOT PROGRAM, APPROVING PROGRAM GUIDELINES AND AUTHORIZING THE DIRECTOR OF PUBLIC WORKS AND UTILITIES TO ADMINSTRATE THE PROGRAM IN CONFORMANCE THEREWITH AT A COST NOT TO EXCEED \$125,000.

**CITY PROPOSAL:**

RESOLVED, that the city of Duluth hereby finds that:

(a) There is a need to promote the conservation of energy in residential properties that serve the city’s low-to-moderate income population and to foster improvements to the health and comfort of the persons who commonly occupy such rental properties.

(b) Rental properties that commonly serve this population are often older properties located in areas of the city which do not command sufficient rental income to encourage owners to invest in energy efficiency measures, even when those measures might, in the long run, pay for themselves.

(c) Energy conservation measures as proposed pursuant to the Program will not only conserve energy but will, improve health, safety, and comfort for tenants, and overall affordability of housing for both landlords and tenants and, in addition, can lead to reduced greenhouse gas emissions.

(d) This natural gas utility conservation program is projected to save from 16 to 26 percent on natural gas heating bills per property.

FURTHER RESOLVED, that the city of Duluth does hereby establish the rental energy upgrade pilot program as described in the program guidelines, a copy of which is attached hereto as Exhibit A.

FURTHER RESOLVED, that said program guidelines are hereby approved.

FURTHER RESOLVED, that the director of public works and utilities is hereby authorized to implement and administer the rental energy upgrade pilot program under the terms and conditions set forth in said program guidelines, at a cost not to exceed \$125,000, payable from fund no. 520-500-1940-2440-5487 (gas fund, public works & utilities, customer services, conservation improvement, conservation improvement expense).

**STATEMENT OF PURPOSE:** The purpose of this resolution is to establish the rental energy upgrade pilot program, to establish guidelines therefore and to fund energy upgrades in small multifamily properties serving low to moderate income renters. This moderate to low income participant natural gas conservation program is

projected to save participants up to \$201 and 305 CCF of natural gas per year.

People experience energy poverty when a household spends a disproportionate percentage of their income on the cost of energy. The majority of these energy-burdened customers reside in multifamily rental housing and face multiple barriers to investing in energy efficiency improvements. Energy conservation measures can help relieve that burden and lead to improved health and safety, increased comfort for tenants, and overall affordability for landlords and tenants.

The renter energy upgrade pilot program addresses energy poverty by providing grants and services to aid an underrepresented demographic in the community. It provides weatherization, air sealing, and envelope insulation to decrease heat loss and improve overall tenant comfort. It provides grants to install high efficiency natural gas heating systems. The combination of grants paired with the utility's established home energy loan program offers an opportunity for customers to make improvements to aging properties that provide housing for low to moderate-income tenants. This program addresses the specific issue arising in Duluth regarding the change in the Minnesota Mechanical and Fuel Gas Code that requires property owners to install additional forced air furnace in multi-unit buildings in order to eliminate shared air between units. By providing grants and financing options, the rental upgrade pilot will deter property owners from delaying heating system repairs and/or converting to more expensive heating sources, which make rent and utilities unaffordable to some low to moderate-income residents.

Under the proposed program, the customer will have an advance home energy analysis done, and the tenant's income will be verified to confirm the property meets program low-income guidelines of 80 percent or less of area medium income as determined by the department of housing and urban development. Ideal participants will be small multifamily properties (2-4 units), requiring new furnaces according to Minnesota Mechanical and Fuel Gas Code 9.918, and have good opportunity to save energy as identified by the advanced home energy analysis. Many properties participating in the pilot in 2018 will be in the Lincoln Park or Hillside Specialized Improvement Areas (SIA). The program plan calls for Ecolibrium3 to provide weatherization services to participants if warranted as determined by advanced home energy analyses. Incentives will be provided for insulation and heating system upgrades per the program guidelines. ComfortSystems will reimburse Ecolibrium3 for weatherization material costs and their labor costs will be covered by CDBG funding or other sources they have secured.

Regulations of the state of Minnesota require that the city expend an amount equal to one half of one percent of its gross revenues from the gas utility on energy conservation programs and reduce customer gas use through conservation improvement programs by one percent of gross sales. In addition, the state statutes require a minimum of 0.2 percent of residential gross operating revenue be spent for conservation improvement programs that are within the low-income residential segment. The city's present level of funding would not meet the state's requirements and, if the city does not expend the entirety of the required amount, the state can require that the unused amount be given to them. This program is expected to increase the conservation savings from ComfortSystems' portfolio of conservation programs.

This program is intended to be a joint initiative to improve the energy efficiency of low to moderate-income customers with Ecolibrium3 and Minnesota Power. The renter energy upgrade pilot is intended provide information about the effectiveness of such a program to reduce utility bills, interest of landlords to participate, response of contractors to the program, and how much the affordability of low income housing is increased. This program would be the third conservation program by ComfortSystems focused on helping low income participants save energy, decrease utility bills, and make utilities more affordable.

The funding for this program was approved in the 2018 budget.