Do Energy Benchmarking Requirements in Affordable Housing Make Sense?

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The Mayor of Boston recently filed an ordinance with the city council that would require all large and medium sized buildings to report their annual water and energy use to the city. By 2015 residential buildings with 50 units or more would be required to comply with this ordinance (POAH has three buildings that fit this category). Boston proposes to join Austin, TX, New York City, Washington DC, and Seattle, WA in the growing group of cities requiring mandatory energy and water disclosures.

I'm ambivalent about these policies, as I am about most mandatory programs. I recognize their noble intent to create transparency around building energy performance that can inform consumer behavior (much like fuel economy ratings on cars). Perhaps these programs will encourage building owners to invest in conservation--some of the programs even require such measures of poor performing buildings. My preference, though, would be for energy prices that more accurately reflect the true cost of fossil fuel consumption.[1] If gas cost $10 a gallon would we need fuel efficiency standards or would most people demand the most fuel efficient car they could find?

Now, back to reality [2] - I recognize that energy will be cheap in the near term so mandatory disclosures represent a sound policy approach to encourage energy and water conservation. In their paper, Energy Transparency in the Multifamily Housing Sector, authors Andrea Krukowski and Andrew Burr summarize the current benchmarking programs as well as their implications. For those of us in the affordable housing world they point out our key challenge:

> . . whereas market rate tenants may consider energy-performance information before leasing a property, low-income tenants are much less likely to be impacted by that type of disclosure, because they receive utility allowances or are subject to waiting lists for public housing, or other factors. (pg. 6)

Energy costs are not a big part of the decision making process for our residents, therefore little competitive advantage can be gained through investments that reduce tenant energy bills. Sensible policy makers recognize this disconnect and have taken steps to encourage building owners to undertake "green" initiatives: green design and development requirements in Qualified Allocation Plans, energy audits as a standard part of lender underwriting, and high-efficiency equipment requirements for replacement reserve requests (many of these are helpfully catalogued here). Given the current market incentives, these all make sense for reducing energy consumption but often increase owner capital costs without a corresponding reduction in operating costs.

Absent a major policy shift on the utility allowance, benchmarking could, perhaps, provide a way to tie conservation investments to increased site revenue. Could subsidies be increased for buildings that achieve a certain high benchmarking score? Could a fund be created to target improvements at low scoring buildings? In other words, can we create financial incentives that reward conservation and reduce consumption, ultimately cutting the environmental footprint of our properties?

Energy disclosure policies will only proliferate in the coming years so it behooves all of us in affordable housing to consider how we might use this process as a lever to encourage an alignment of resident and owner conservation incentives.

[1] http://www.treehugger.com/energy-policy/true-cost-fossil-fuels.html

[2] Witness the recent squabble over a policy that, according to the oil industry worst case scenario, would add 9 cents to the cost of a gallon of gas: http://www.washingtonpost.com/politics/obama-administration-moves-ahead-with-sweeping-rules-requiring-cleaner-gasoline/2013/03/28/4ea2e01c-97cd-11e2-814b-063623d80a60_story.html?hpid=z1