

GREEN RENTAL HOUSING

Policy Recommendations Summary

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Introduction

The proposed Green Rental Housing policy includes recommendations developed by a stakeholder task force comprised of renters, landlords, low-income housing representatives, and city departments. These policy recommendations focus on the health, safety, comfort, and efficiency of rental units in Ann Arbor and are based on best practices and lessons learned from other cities, input from the task force, and staff recommendations based on the local landscape. For every recommendation, background information, a description of the recommendation, and justification are provided.

Existing Rental Housing Inspection Program

Before considering a new and expanded rental inspection program, it is important to review the City of Ann Arbor’s existing rental housing inspection process, which sets forth requirements each dwelling must satisfy in order to receive a Certificate of Compliance (C of C) and subsequent authorization to rent. Most of the requirements identify basic safety items only and do not identify energy efficiency requirements. The existing requirements are named in Title 8, [Chapter 105 \(Housing Code\)](#) of the Ann Arbor Code of Ordinances and are enforced by [Rental Housing Services](#) under the Building Department.

Overview of Existing program

The existing rental inspection program includes the following elements. The proposed Green Rental Housing program does not seek to replace or remove these items. The list below is for illustrative purposes only and not intended to be a substitute for existing requirements; for more information on the existing program, please visit www.a2gov.org/rentalhousing.

- **Rental eligibility.** Given a unit complies with all local ordinances and is issued a valid Certificate of Compliance (C of C) before leasing to a tenant, any dwelling unit in the city is eligible to be a rental.
- **30-month inspection cycle.** Each C of C has a default expiration date of 30 months (2.5 years) from the date of issuance. This means that units who did not qualify for the incentive (see below) must be re-inspected by a city inspector before their current C of C expires to verify compliance with Chapter 105 and be re-issued an updated C of C.

- **Re-inspection process.** Upon first inspection, if the inspector finds items which are not in compliance with the code, the landlord is given an opportunity to address the failed items noted in the provided inspection report and a re-inspection to verify. There is no penalty for needing the first re-inspection.
- **Compliance incentive.** There is a 12-month extension incentive for landlords who fully comply with the code upon the first inspection without needing any re-inspections. For those who qualify, this means that the expiration date for that C of C only is extended to 42 months instead of the default 30 months. This incentive is offered at each inspection cycle and is only applied to a single cycle – landlords must re-qualify for the incentive at each inspection cycle. The expiration extension is automatically applied to the C of C upon issuance.
- **A pre-inspection checklist** is available for landlords to use prior to an inspection to help ensure compliance. The checklist essentially outlines the requirements listed in Chapter 105.
- **Inspection Fees.** In order to schedule an inspection and receive a C of C, the landlord seeking compliance must pay for the inspection of their unit. Costs vary depending on the total number of units being inspected at a property, but a C of C can be issued for a cost starting at \$50/unit to \$175/unit. A complete fee schedule is available at the [Rental Housing Services](#) website.
- **Complaint process.** If a tenant believes their unit is not in full compliance with Chapter 105 or otherwise poses a safety or health concern and they are unable to reach a solution with their landlord directly, they may file a complaint with Rental Housing Services to seek correction.
- **Appeals Process.** If a landlord would like to request a variance from the requirements in Chapter 105 (generally in cases of practical difficulties or unnecessary hardship), they may apply to the Housing Board of Appeals to have their case considered.
- **Public Disclosure.** A C of C is similar to a permit. Like permits, all inspection reports and C of Cs for any current or former rental property can be found through the Rental Housing Services website.

Green Rental Housing integration

While keeping the existing program fully intact, Green Rental Housing will operate completely within the inspection process under Rental Housing Services and simply build on the code by adding certain efficiency requirements (outlined below) that all rentals must meet in order to receive a C of C.

Green Rental Housing Recommendations

Appliance Efficiency

Background: To increase the energy efficiency of rentals, the Appliance Efficiency component of this policy sets a minimum standard by which all appliances in rental units must abide. This requirement applies to all rentals.

Recommendation: All appliances in rental units ultimately shall be Energy Star rated. This includes all major appliances such as heating/cooling, water heating, as well as kitchen appliances. To achieve this, this policy implements a “time of replacement” requirement; when existing appliances naturally need replacement due to age or wear and tear, the new replacement appliance must be Energy Star rated as denoted on the Energy Star Product Finder website. It should be noted that Strategy 2 of A2ZERO seeks full electrification of our homes and businesses and, while Energy Star-rated gas appliances are available, electric models of any appliance are strongly preferred. At the very latest, all appliances in each rental must be Energy Star rated no later than December 31, 2030.

Justification: The energy required for space and water heating accounts for a vast majority of residential energy consumption. Thus, one of the most impactful ways to reduce the carbon emissions resulting from heating

appliances and to reduce the overall load demand on the energy infrastructure, the appliances which heat our homes and water should be as efficient as possible.

Additionally, appliances like refrigerators, dishwashers, clothes washers & dryers, air conditioners, and ventilation fans have an impact, too. Improving appliance efficiency can also reduce the cost of operation to the individual(s) responsible for the energy bills. Lowering energy costs for tenants is especially impactful in Ann Arbor, where the cost of rent alone can be bordering or fully prohibitive to some residents. In cases where landlords are responsible for energy bills, increasing appliance efficiency can result in financial return on their investments.

Energy Star is a joint program of the U.S. Department of Energy (DOE) and Environmental Protection Agency (EPA). Energy Star is a long-standing and well-respected labeling program that identifies top-performing and cost-effective products for homes and buildings and is ubiquitous among appliance dealers, retailers, contractors, installers, manufacturers, and consumers.

Unit Efficiency Requirement Pathways

There are two possible pathways for meeting the Unit Efficiency Requirement. In short, Option 1 (Prescriptive Pathway) requires landlords to achieve at least 65 points on a checklist. Option 2 (Performance Pathway) requires landlords to achieve a HERS rating of 110 or better. The justification for both options is outlined below, followed by the background and recommendation for each option.

The requirements for each pathway were specifically chosen to balance reasonable expectations of modern rentals with reasonable expectations of the landlords who own them; most rentals in the city should be able to achieve the efficiency requirements with little to no cost or effort while still equalizing the minimum expectations of units available on the market. The pathway options are provided to offer landlords the flexibility to meet the requirements in a manner most appropriate for their unit. Many rentals will achieve full compliance without any modifications at all.

Justification: There are ~31,500 rental units across ~8,500 properties in Ann Arbor. The median year-built for these rentals is 1964 with some rentals dating back to the 1850s. The first energy code requirements in Michigan were established in 1977. This means most rental properties in Ann Arbor were built during a time preceding modern building codes – codes that have been designed to improve the health, safety, comfort, and efficiency of the places we live. While a portion of these rentals have seen some degree of updates, many rentals still only meet the building code requirements that were in place at the time they were originally constructed, leaving renters exposed to units that would not meet today’s standards for modern living.

This process of standardizing rentals also benefits landlords by connecting them to resources to make wise energy investments in their properties and possibly improving the marketability of their units.

Unit Efficiency Option 1: Prescriptive Checklist Pathway

Background: The existing rental housing inspection process already includes a [pre-inspection checklist](#), which outlines the requirements listed in the Housing Code (Chapter 105) that all dwellings must meet prior to receiving a Certificate of Compliance (C of C). Per the Housing Code, all dwellings must obtain a C of C prior to renting to occupants. Unlike the existing pre-inspection checklist, the items on the Prescriptive Checklist have point values assigned to them.

Recommendation: The proposed Prescriptive Pathway expands the existing pre-inspection checklist to include items that generally promote the health, safety, comfort, and energy efficiency of rentals. A goal of the Prescriptive Pathway is to standardize market expectations for quality of rental units. Flexibility is built-in to the checklist structure, which offers a variety of different items with associated point values across several categories. The [draft Prescriptive Checklist](http://www.a2gov.org/sustainability/GreenRentalHousing) can be found at www.a2gov.org/sustainability/GreenRentalHousing

The prescriptive checklist shall be easily satisfied by most rentals. To satisfy this pathway requirement, landlords must submit a completed checklist to their assigned inspector prior to inspection. Landlords may select any combination of items whose total point value satisfies the overall minimum point requirement of 65. An overview of the prescriptive checklist follows:

Categories: Points can be accrued in the following categories: Insulation, Air Sealing, Electrification, Appliances, HVAC systems, Occupant, Other, and Innovative Measures. There is a section devoted to water conservation whose points are required separately (do not contribute to the overall minimum).

Point Values: Each item on the checklist has been assigned a point value that reflects the relative effort or cost to achieve that item. The overall minimum point requirement (65 points out of a total possible of 173, plus 3 water conservation points) shall be attainable by any rentals that meet standards reasonable for today's residential rental market. Any rental unit is welcome and encouraged to exceed the overall minimum point requirement.

Checklist Development: Most of the items on the checklist were based on standards found in the current Michigan Energy Code, the Michigan Residential Code, the International Energy Conservation Code (IECC), Passive House Institute US (PHIUS), US Green Building Council (USGBC), reports by RMI, the American Council for an Energy Efficient Economy (ACEEE), the New Buildings Institute (NBI), DOE and EPA, other best practices for efficient building practices, the checklist used by Boulder, CO (SmartRegs), any combination therein, and more. Other items were added by the task force or staff to increase flexibility for landlords and/or to help Ann Arbor achieve items or strategies outlined in the A2ZERO plan for a just transition to carbon neutrality by 2030.

Unit Efficiency Option 2: Performance Pathway

Background: This offers landlords a choice for how to meet efficiency requirements alternative to the Prescriptive Pathway. The Performance Pathway requires achieving a minimum Home Energy Rating System (HERS) score of 110. Using a unit's energy performance is the best way to both target investment areas and measure the success of the modifications. The HERS rating is a nationally recognized standard for measuring the energy efficiency of a home and can be conducted on single-family or multi-family units. The HERS index is structured in a way that gives a "Reference Home" (equivalent to the 2006 IECC) a score of 100. A best score of '0' is a Net Zero Energy home and the worst score of '150' is 50% less energy efficient than the HERS index Reference Home.

Recommendation: An alternative to the Prescriptive Checklist, this component allows the landlord to opt instead to get a HERS rating from a qualified assessor. The subsequent HERS rating measures the unit's energy efficiency performance and provides the landlord with a list of specific modifications that can improve the performance of the unit. To satisfy the Performance Pathway, the landlord must achieve a HERS rating of 110 or better. Landlords who choose the Performance Pathway must provide the City with verification of the HERS rating of each unit. Multi-family units must submit a HERS rating for different each unit, but in cases of duplicate floorplans, may submit one HERS rating to represent each floorplan layout.

Efficiency Disclosure

Background: The results for the chosen Unit Efficiency Pathway (either prescriptive or performance) shall be made publicly available with the existing Inspection Report.

Recommendation: Depending on which Unit Efficiency Pathway the landlord chose, either a) the final points earned through the Prescriptive Pathway, or b) the HERS rating of the Performance Pathway shall be automatically included with the Inspection Report, which is already issued for any routine inspection. This disclosure does not require any additional action of the landlord, given the completed checklist or HERS rating are provided to the city inspector for verification.

Justification: The results of all rental housing inspections are already made publicly available in the Inspection Report. The Green Rental Housing requirements will fall under the purview of the existing rental housing inspection program, and therefore will follow suit. This disclosure is intended for the purpose of accountability and compliance verification, while also giving prospective renters a means to anticipate the costs of energy bills.

Occupant Weatherization

Background: In some cases, tenants would like to participate in the improvements to their unit, but are restricted by certain lease language.

Recommendation: Create a clear pathway for tenants to participate in the improvement of the unit they do not own. This policy component requires landlords to specify which temporary or permanent actions may be taken by the tenant to weatherize or improve the unit without penalty. This creates a safe space for the tenant to make specific improvements without risk of security deposit losses or other charges. We anticipate that the most likely form of this will be allowing tenants to install window film to reduce air leakage during the winter, but landlords are encouraged to explore other acceptable measures their tenants may execute to improve the unit.

Justification: In terms of energy efficiency improvements, one of the most challenging aspects of the tenant-landlord relationship is known as the “split incentive” – a situation that arises when one party (e.g. the landlord) owns the unit and is responsible for property investment while the other party (e.g. tenant) is responsible for ongoing energy costs and would be the likely beneficiary of the landlord’s investments.

Implementation Process

Each of the proposed policy components outlined in this summary are still in draft. The Office of Sustainability & Innovations is seeking input on these recommendations through April 10, 2022. Every Ann Arbor resident, tenant, and landlord are encouraged to submit the feedback survey, available at www.a2gov.org/sustainability/GreenRentalHousing.

Final Review

Once all comments have been submitted and reviewed, the proposed policy will undergo any applicable revisions before proceeding to City Council during or around quarter three of the 2022 calendar year.

Ongoing Support

The Office of Sustainability & Innovations (OSI) wants the impacts of this program to be beneficial and successful. Therefore, if the Green Rental Housing policy is passed by City Council, a resource hub will be made available to both tenants and landlords at no charge to assist with successful compliance. This hub will include access to funding resources for landlords who want or need to make modifications and educational information about behavioral impacts of residential efficiency.