



MEMORANDUM

TO: Austin City Council

CC: Mark Ott, City Manager, City of Austin

FROM: Larry Weis, General Manager, Austin Energy

DATE: June 1, 2014

SUBJECT: Semi Annual Report for Resolution No. 20130523-069

Pursuant to Resolution No. 20130523-069, Austin Energy submits the second report investigating possible effects of participation in multifamily property energy efficiency rebate programs on rental prices. As with the December 1 report, there continues to be no evidence of a direct relationship between multifamily rebate participation and rent price changes. Austin Energy conducted statistical analyses of the data to provide a clearer picture when comparing rental rates.

The data sources include:

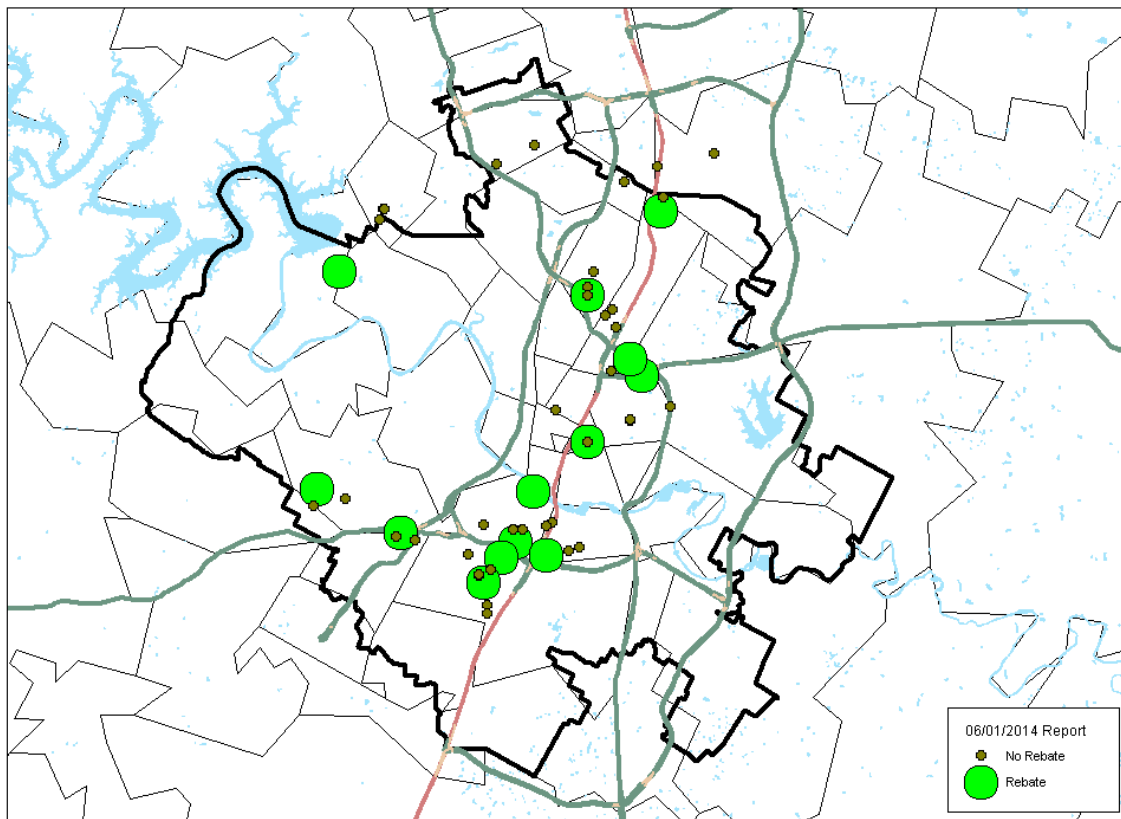
- Austin Energy Multifamily Rebate Program participation data
- Austin Investors Interest multifamily apartment data

The process to collect and report on the data is as follows:

- Austin Energy will develop a secured database in which the data will be stored.
 - The data is held within AE's firewalls.
- Austin Energy will collect rebate-related information in real time.
 - While rebate information is collected in real time, apartment-related data is provided quarterly so the report will reflect a quarterly time frame.
- Austin Energy will collect apartment-related data from an external source quarterly as it is updated by Austin Investors Interest.
- Austin Energy will assess statistical differences between rebate participants and non-rebate participants; between levels of rebates; and across other related multifamily demographics.
 - With only two quarters of data, results are limited.
- Austin Energy will report semi-annually on the possible relationship between energy efficiency rebate participation and rent prices.

In order to provide quality comparisons, each rebate property was matched with a comparable property by location and/or class and year built. Including similar properties that have not gone through an energy efficiency rebate allows for better analysis of the impact of rebate participation on rental prices. Figure 1 provides a map of the rebate-participating properties in green and the comparable non-rebate recipient properties in brown. The majority of properties for this report are along the central corridor of Austin.

FIGURE 1. Participating and Comparable Properties



The data attached covers multifamily complexes with approved Letters of Intent (LOI), at or above \$50,000, from Quarter 3 of 2013 through Quarter 1 of 2014, as measured by calendar quarters, not fiscal. The average projected rebate for these properties in this report was \$106,890. The projected rebate costs covered approximately 84% of the total project costs for this sample. Attachment A provides the multifamily data tracked to create the report.

The data shows that rental prices per square foot for these properties vary from \$0.70 in Q3-2012 to \$2.09 in Q1-2014. The average rental prices for properties going through energy efficiency upgrades were within these bounds, from \$0.75 to \$2.09. The number of units per complex ranged from 50 to 624.

As no data point exists in isolation, relationships are drawn between points to better understand the data. These relationships are calculated using a correlation matrix. Table 1 provides the correlation matrix for the numeric data. The significant correlations are those above 0.50. Most notably, the relationship between rebate and kW savings indicates greater savings with greater rebate dollars. The relationship between average rent per square foot and kWh savings demonstrates greater energy savings in apartments with higher rents. With the kWh savings, it is anticipated that the electric portion of the utility bill will be lower, thereby offsetting higher rent per square foot.

TABLE 1. Correlation Matrix

Correlations	Avg Rent Per Sq Ft	Rebate	Number of Units	Bedroom Mix	kW Savings	kWh Savings
Avg Rent Per Sq Ft	1					
Rebate	-0.0802	1				
Number of Units	-0.0183	0.4430	1			
Bedroom Mix	0.3675	0.2394	0.2561	1		
kW Savings	0.2835	0.7592	0.7941	0.9551	1	
kWh Savings	0.6188	0.3036	0.1776	0.9633	0.6055	1

There was no consistent finding when comparing rebated complexes against similar complexes. As occupancy rates have increased, over 95%, rent per square foot has also increased. This was found for both rebated and non rebated complexes, yet not uniform across all properties. In other words, fluctuations in rent per square foot did not shown an upward trend but rather variations up and down.

Increases in rent were found in non rebated complexes reporting renovations including floors, appliances and amenities such as pools and fitness rooms. Improvement in rebated complexes comprise duct sealing, attic insulation, new HVAC equipment, water-saving devices, energy efficient lighting and appliances, windows and solar screens, and reflective roofs. The benefits of energy efficiency improvements over amenity improvements include the opportunities for lower energy use and utility bills, not found with pool or weight room improvements. Attachment B provides a table of the averages and standard deviations for the comparable rent per square foot costs.

Staff will continue to monitor the multifamily energy efficiency rebate program, as well as investigate the relationship between rebate program participation and rent variations. Preliminary analysis indicates no relationship between multifamily rebate participation and rent changes. Rent per square foot appears to remain a function of market conditions, occupancy, and property improvements. The consistent benefit of rebate participation is the reduction in energy use which can lead to lower utility bills for multifamily residents.