MEETS Works for Multifamily Buildings – Here’s How

The Metered Energy Efficiency Transaction Structure (MEETS) was originally created with commercial buildings in mind -- an environment where tenants make monthly “triple net” payments (inclusive of utilities and rent) to the building owner. Because a utility payment relationship between tenant and owner already exists, MEETS is straightforward in commercial buildings. Under MEETS the utility bills the building for both traditional energy use and metered energy efficiency, leaving the total energy bill unchanged from what it would have been without the improvements. The tenant gets a better, more comfortable building for no additional cost.

But what happens in multifamily buildings with residential tenants and a different billing environment? In Seattle, for example, each residential unit must be individually metered, with tenants paying their space heating and electric bills directly to the utility. Unlike in commercial buildings, there is not a direct utility payment relationship between tenant and owner for space heating and electricity service. Remember that while an energy efficient MEETS building will dramatically reduce tenants’ utility bills, unless the building owner can recoup the value of the MEETS efficiency energy from these tenants, the building owner won’t benefit from the investment in energy efficiency and the classic split incentive problem for building energy efficiency investment will persist.

One blunt instrument to address this split incentive is to raise the monthly rent to reimburse the owner for energy efficiency improvements. But as MEETS Accelerator Coalition member and Passive House developer Sloan Ritchie will attest, higher rent tends to chase renters away. According to Sloan, if you take two comparable buildings and charge $20 more in rent for one of them, renters will choose the building with cheaper rent every time, even if projected utility bills are significantly higher in that building. Rent is top of mind for tenants in a way that utility charges are not.

How to solve this? Sloan recently uncovered a solution, and it was staring up at him from his tenants’ monthly rent bills the whole time.

“The answer was so simple, it was elusive,” he said. They key is something called RUBS, or Ratio Utility Billing Service, a method of allocating shared utility expenses within a property. Here’s how it works:

The building owner of a MEETS project gets a monthly bill from the utility (e.g. Seattle City Light) for the MEETS charge (equal to the value of the efficiency energy provided by the upgraded building). This MEETS charge is just like any other utility bill for electricity, water, trash, etc. The building owner simply passes along an amortized portion of the MEETS charge to each tenant as a RUBS charge, listed “below the fold” on the tenants’ monthly bills; the MEETS charge becomes just one of several line items for other RUBS charges. See this sample bill from
the fictitious “UtiliService” utility bill service, based on a real bill from an actual utility bill service, ConService:

![Utility Bill Example]

Sloan plans to use this approach at his new Passive House apartment building in Seattle, Pax Futura. A typical 650 square foot unit in that building will account for about 6% of the total building size, so the tenant of that unit will be assessed 6% of the building’s MEETS charge each month. Because their portion of the MEETS charge will be modest and because it will be listed among several other RUBS charges, most tenants will correctly perceive it as part of the cost of living in the building. The amounts listed above are typical for the projects Cascade Built is constructing, and the MEETS charges amount to about one percent of the monthly costs for a tenant. Just as with commercial tenants in a MEETS building, the residents at Pax Futura will live in a better, more comfortable building for a monthly rent comparable to an unimproved apartment building. The sum of their utility and MEETS charges at Pax Futura will be equal to what their utility bill alone would have been in a conventional code minimum building.

The beauty of this approach to MEETS in multifamily buildings is that the utility doesn’t have to worry about the details or get involved. Its MEETS transaction is with the building owner and, just as when a utility provides water, trash, or sewer service to a building, it is up to the building owner to figure out how to collect the appropriate portion from individual tenants.