



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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**HEARING BEFORE THE UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES**

ENTITLED

**“THE CREATION OF JOBS RELATED TO
ENERGY EFFICIENCY”**

**WRITTEN STATEMENT OF
THE NATIONAL ASSOCIATION OF REALTORS®**

MARCH 11, 2010

Introduction

The National Association of REALTORS® appreciates the opportunity to submit a written statement to the Senate Energy and Natural Resources Committee on the critical subject of the creation of jobs related to energy efficiency, and especially on proposals that address job creation in the area of energy-efficient building retrofits.

The National Association of REALTORS® (NAR) is America's largest trade association, representing more than 1.2 million members involved in all aspects of the residential and commercial real estate industries. NAR is the leading advocate for homeownership, affordable housing and private property rights.

NAR and Green Job Creation

In addition to building a certified green building, NAR has taken a number of other important steps to raise public awareness about green buildings and their benefits in the marketplace. For example, NAR has:

- Developed the GREEN Designation program to offer advanced training and certification for real estate professionals. Like many professionals, continuing education classes and professional designations are a regular part of Realtors®' on-going training. The GREEN designation helps Realtors gain the expertise needed to advise their clients on what to look for and consider when interested in making more eco-friendly building purchases.
- Partnered with Federal agencies and others to promote green buildings. For example, NAR and the Department of Energy collaborated to provide consumers with an "Energy Savers" brochure with the facts about reducing energy use and saving money.

These are all examples of voluntary, incentive-based approaches that will create jobs while improving energy efficiency and are consistent with NAR policy.

NAR Perspectives on the Proposed Home Star Legislation

NAR strongly supports providing property owners with the education, incentives and resources they need to voluntarily improve their homes and save energy and applauds the Committee's efforts to develop legislation to achieve just that. Providing owners with voluntary, incentive-based programs to make energy efficiency improvements to their homes will add value to residential property, reduce electricity use and save money on utility bills, and help stimulate a job market in remodeling and renovation activities. We thank Chairman Bingaman for his efforts in this area and support the goals of the discussion draft which is the subject of today's hearing.

As drafted, the Home Star Act of 2010 proposes to offer homeowners the resources to accomplish residential energy efficiency savings through rebates and other financial credits. The Silver Star tier would offer rebates of up to \$3,000 for upgrades such as adding insulation, duct sealing, and installing energy-efficient water heaters. The Gold Star tier would offer larger rebates for whole-home energy

audits and make subsequent retrofits that achieve 20 percent energy savings, with additional incentives for energy savings that exceed 20 percent.

NAR supports offering homeowners rebates for conducting energy efficiency improvements. We look forward to working with the Committee on the discussion draft to:

1. Recognize the job-creation potential of the multi-family and commercial sectors by extending rebates to those kinds of properties;
2. Preserve state flexibility, and limit regulatory authority and the sole discretion provided to the Secretary regarding home energy performance ratings and documentation; and
3. Minimize unnecessary bureaucracy and red tape while diligently protecting consumers and private information.

NAR's Perspective on the Proposed Recovery Through Retrofit Initiative

While the Home Star legislation appears to be an effective approach to incentivize home owners to conduct energy efficiency improvements to a home, NAR is very concerned about Administration initiatives that take a much different approach and seem to use the home buying process as the vehicle to implement a system of home energy use labels, while also mandating energy efficiency improvements.

On October 19, 2009, Vice-President Biden announced the development of a major federal government initiative, the Recovery Through Retrofit program. This program seeks to create a national home energy retrofit market by providing: (1) access to home energy retrofit information; (2) access to home energy retrofit financing methods; and (3) access to a trained home energy retrofit workforce.

If the goal is energy efficient homes and buildings, the most effective approach would be to provide the financial resources and incentives that educate and empower property owners to make needed energy improvements, such as the proposed Home Star program.

Mandating an unreliable home rating system will not lead to home energy use reductions. When buyers hold all the cards at the closing table and too many homeowners have no equity or savings to finance energy improvements, transaction-based triggers only serve to send conflicting market signals – without any assurances that needed energy improvements will be made. As a result, NAR strongly opposes this approach.

NAR Perspectives on the Energy Performance Label for Existing Homes

Labeling every structure in America will not, in and of itself, improve the energy efficiency of homes or buildings. Owners must act on the information by taking the next steps and making energy-related improvements such as replacing aging heating and cooling systems, appliances and windows.

Today, however, many homeowners have seen their financial well-being undermined. Jobs have been lost, savings have eroded and property values have plummeted. Without the savings or equity, many lack the financial resources to make the energy improvements they already know they need to make. Energy

labels will stigmatize older properties and make it harder for these individuals to build savings or equity. Labels also will reduce property values when existing owners sell and are forced to negotiate price reductions in order to compete in today's buyer's market.

According to data collected by the American Housing Survey (AHS) and analyzed by NAR, labeling real estate will create disproportional impacts on older property owners. More than 60% of U.S. homes were built prior to 1980 when the first building energy codes were established, and face relatively larger losses in property value due to building labels. These properties will require more improvements than the newer properties in order to match labeling scores and maintain their value.

According to the AHS data, a large share of these older properties are owned and occupied by populations which tend to live on modest or fixed incomes, and are least able to afford these improvements without significant financial assistance. These populations include 73% of elderly, 69% of impoverished and 64% of Hispanic and black owners. Labels will not only stigmatize older homes but the community where they are located, and which are struggling to maintain and attract investment. There will also be regional disparities: The Northeastern United States, where older homes are concentrated, could fare worse than the other structures located in the south and west. Rural communities could be especially hard hit, as a substantial proportion of homes in those areas were built prior to 1980.

Before branding homes and buildings with labels, consumers require a better understanding of energy efficiency and the tools to turn information into action. For this reason, NAR supports:

- A. Raising public awareness about energy efficiency programs and information.
- B. Encouraging the federal government and the states to provide financial incentives to consumers to improve homes and buildings.

By developing the infrastructure and education, and providing the right incentives, property owners will make the energy improvements that will achieve real energy savings.

NAR Perspectives Regarding Certification and Training Standards

In both the Home Start and the Recovery Through Retrofit proposals, there are provisions that address training and certification of workers to ensure that quality work is performed. The federal government should proceed carefully when developing a national set of guidelines and standards that address uniform certification and training for workers entering this new green jobs market. While NAR recognizes the need to ensure reliability for this work, too many standards and training criteria will stifle entrepreneurial job creation and hinder the ability of small businesses to respond to rising retrofit demand. If one cliché bears repeating, it is the well-worn trope that “one size” guidelines coming from inside the Beltway generally do not fit all the varying markets across the country. The federal government must strike a careful balance between creating a consistent set of guidelines that will increase consumer confidence and promote a stable and reliable national home retrofit workplace on one hand, while on the other ensure that local businesses are not hindered in their ability to respond to demand for this work.

In addition, while NAR appreciates Congress' efforts to encourage homeowners to make voluntary, incentive-based energy efficiency improvements, the planned implementation of an EPA rule threatens to derail these activities. The Lead Renovation, Repair and Painting program applies to all residential and child-occupied facilities built before 1978 where a child under the age of six or a pregnant woman resides. Contractors disturbing a painted surface, six square feet or greater inside the home or 20 square feet on the exterior must follow new lead safe regulatory requirements, including training, certification, work practices, notification, clean-up and record keeping. As a result, a wide array of home retrofit projects envisioned by Congress, such as new windows, weatherization, insulation and other activities will trigger this rule. The renovators who conduct this type of work will be required to be trained in all of the new lead-safe work practices.

Unfortunately, the EPA has been slow in getting the required training and certification programs in place to train a sufficient number of workers to be available to conduct both the normal renovation activities and the expanded energy efficiency retrofit projects anticipated by the report. As a result, while the Act envisions massive retrofits across the country, in reality there will be few workers qualified to perform the work, thus hindering the very market the Act claims to want to jumpstart. EPA should extend the compliance date for lead paint training and certification until there are a sufficient number of workers available.

Conclusion – NAR Seeks a Win-Win Scenario

As Realtors[®] respond to growing consumer demand for green housing, NAR policy supports a voluntary, incentive-based approach to energy efficiency retrofits of existing housing. Such an approach would sustain the current green trends, and make them a more permanent feature in the marketplace. This, in the view of Realtors[®], provides a “win-win” scenario by allowing for vigorous economic growth while improving the environment.

The green building market is already responding to consumer demand. For example, consider this recent headline in the Miami Herald: “Increasing demand for energy efficient, environmentally friendly buildings is bringing business to architects during the construction downturn.” McGraw-Hill Construction is forecasting that the combined annual commercial and residential green building markets will total \$62 billion by 2010. Architects, homebuilders, remodelers, real estate agents and all the industries that rely on housing and homebuilding are responding to consumer interest in green issues. They are responding by building and providing products that the consumer wants. And this is happening all without significant assistance (or interference) from the public sector.

The Federal government does provide important public research, capital and economic incentives, such as the current tax credit for energy efficient home improvements which spurs demand and interest. However, NAR believes that government should be limited to this role: By leading the way with green Federal buildings, providing for research that spurs innovation and most importantly, keeping the market fluid and free of mandates, and encouraging robust consumer education programs, the Federal government can do more to promote the public good than with mandates that will only hinder the market at a time of economic recovery.

NAR members have shown that green buildings are both proactive and profitable, primarily because current programs have been allowed the market to respond specific conservation needs in a geographic and market area. NAR supports a national green building and home energy efficiency retrofit program that is flexible and market-driven, encourages continued growth in green construction that protects options for consumers in all markets, as well as preserves, protects, and promotes the health of our environment.