



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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December 16, 2009

Chairwoman Nancy Sutley
Council on Environmental Quality
722 Jackson Place, NW
Washington, DC 20503

Dear Ms. Sutley:

On behalf of the over 1.2 million members of the NATIONAL ASSOCIATION OF REALTORS® (NAR), I am writing regarding the proposed Recovery Through Retrofit program.

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.

NAR strongly supports providing property owners with the education, incentives and resources they need to voluntarily improve their homes and save energy. However, NAR is very concerned that this proposal intends to use the home buying process as the vehicle to implement the labeling of homes. NAR strongly opposes this concept. 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.

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.

Attached are additional comments and perspectives on the Recovery Through Retrofit initiative. If you have questions regarding these comments, please contact Russell W. Riggs, Senior Regulatory Representative, 202-383-1259 or via e-mail at rriggs@realtors.org.

Sincerely,

Vicki Cox Golder, CRB
2010 President, National Association of REALTORS®

NAR COMMENTS ON THE RECOVERY THROUGH RETROFIT PROGRAM

NAR Supports the General Goals of the Recovery Through Retrofit Program

NAR supports the general goals of the Recovery Through Retrofit program as elucidated in the Recovery Through Retrofit report (The Report), and lauds the Vice-President and the Middle Class Task Force for identifying market barriers to increased energy efficiency in the housing sector. The Task Force identified three market barriers that have prevented a national retrofit market from forming, including:

1. Provide American homeowners with information on home energy retrofits by:
 - A. Developing an energy performance label for existing homes; and
 - B. Developing a standardized home energy performance measure.
2. Provide financing mechanisms for homeowners to conduct home energy retrofits by:
 - A. Supporting municipal energy financing;
 - B. Improving energy efficient mortgages; and
 - C. Expanding state revolving loan funds.
3. Establish a national workforce to take advantage of these green job opportunities by:
 - A. Establishing a uniform set of national certification and training standards

NAR Supports “Green” Efforts

NAR strongly supports providing property owners with the education, incentives and resources they need to voluntarily improve their homes and save energy.

- NAR has worked closely with the U.S. Department of Energy to develop a booklet “Energy Saver\$: Tips on Saving Energy and Money at Home” that includes information for homeowners on how to save energy in the home.
- NAR has also developed a special designation for Realtors – The Green Realtor Designation – that educates NAR members on the benefits of green buildings, describes the value that various green features, including energy efficiency, add to the property, and gives members resources and information that they can provide to homeowners.
- NAR supports financial incentives that lead to actual energy use reductions, such as tax credits, grants or loan programs, as well as passage of legislation in the U.S. House of Representatives that creates a comprehensive, voluntary, incentive-based, residential retrofit program.
- NAR is working with Multiple Listing Services (MLSs) across the country to include data fields that list the “green” features of a home, including energy efficiency features.

While NAR has always believed that offering voluntary incentives is the best way to improve energy efficiency in existing homes, we do have several critical concerns about the Administration’s approach to this issue, particularly in the following areas:

NAR Perspectives on the Energy Performance Label for Existing Homes

NAR supports reasonable approaches and incentives to advance consumer information about reducing their energy use. We are concerned with proposals, however, that impose further economic burdens on consumers and the housing market without improving energy efficiency.

NAR is very concerned that this proposal intends to use the home buying process as the vehicle to incorporate the labeling of homes. NAR strongly opposes this concept. If the goal is energy efficient homes and buildings, the most effective new programs would be to provide the financial resources and incentives that educate and empower property owners to make needed energy improvements. Triggering requirements at the time of sale will not lead to energy saving behavior. 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 drive down selling prices – without any assurances that needed energy improvements will be made.

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.

However, many homeowners have seen their financial well-being shaken. Jobs and tenants have been lost, savings 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. 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 the energy savings needed.

NAR Perspectives on the Standardized Home Energy Performance Measure

In order to create a home energy performance label, the Administration is also proposing to develop a mechanism to measure energy use and performance in a home. Over the years, there have been many attempts to develop a standard system to measure home energy performance and efficiency, with differing degrees of success. The ENERGY STAR® for homes program, which utilizes the Home Energy Rating System (HERS), is frequently cited as a possible residential labeling vehicle, but it is only applicable to new homes.

For ENERGY STAR® to measure energy use in existing homes would require the development of specific performance standards that take into consideration not only the design and construction but also the number and energy use of occupant(s) for each individual home. This measure would then be used to create the label for the home, which would describe the current energy use and alternatives to reduce energy.

Past experience with energy rating systems of existing homes has demonstrated real concerns about the expense, efficacy and reliability of these systems. For example, the cost of the rating to the homeowner can range from \$200 to \$800 per home just for new construction, depending on the region, the type and size of the home, and individual market dynamics, according to the EPA's Energy Star program. The cost for existing home energy ratings could be significantly higher. Also, existing home energy ratings rely on unregulated third-party training, administration, and oversight. This has already caused problems in Austin, TX, which recently mandated energy efficiency audits before a home over ten years old can be sold, and in California, where some municipalities require home energy audits prior to sale. In Toronto, Canada home energy audit mandates were considered and rejected after news reports described situations where different auditing firms arrived at wide-ranging energy rating scores and recommended very different, but costly, efficiency retrofits. Often the home energy rater is also the one making the recommended home improvements, which raises significant conflict of interest questions.

Experience has shown that expensive and unreliable measuring tools, wielded by untrained and unqualified auditors, drives up the costs of conducting these audits, retrofitting the home and sends conflicting price signals to the real estate market. NAR is deeply skeptical that there is a one-size-fits-all numerical rating system that would accurately capture the variability in energy performance across the diversity of homes that exists in this country, and urges the Administration to discard a numerical based approach. The best way to improve building efficiency would be to develop the energy audit infrastructure so that home owners will have access to affordable, high quality and reliable energy audits that are specific to each home. We would also recommend direct financial incentives, rebates and credits to homeowners to offset the costs of any needed retrofits.

NAR Perspectives Regarding Municipal Energy Financing

The Recovery Through Retrofit Report identifies the lack of financing mechanisms as a major market barrier to a robust retrofit market. Regarding the municipal energy financing mechanism mentioned in the Report, i.e., the Property Assessed Clean Energy (PACE) program, NAR supports this concept as a far better alternative to the home labeling approach. However, before this program becomes a standard energy efficiency retrofitting financing tool, NAR would encourage its development on a pilot program basis, to make sure that questions related to the implementation of these programs are fully understood and liability risks for Realtors are minimized. Some of the questions include: How will the additional property tax be disclosed properly to the purchaser? How will increased property taxes impact housing affordability, particularly in low-income housing markets? What responsibility do real estate sales professionals have to convey information about the work conducted and how it impacts their utility bill?

NAR Perspectives Regarding Certification and Training Standards

The Administration 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 Administration 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 hand ensure that local businesses are not hindered in their ability to respond to demand for this work.

While NAR appreciates the Administration’s 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 the Report, 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 Report envisions massive retrofits across the country, in reality there will be few workers qualified to perform the work, thus hindering the very market the Report 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.

To further spur consumer demand for green buildings, these homes must make financial sense as well as environmental sense, even though their up-front costs may be more expensive than traditional housing. This will require research, education and incentives. NAR believes that as more of these buildings are constructed, they will demonstrate their financial viability over and over again. Simply put, a home that works well retains value. Energy efficiency comes naturally to the top of the list. Building green is an efficient way to reduce investment risk, because every decision and dollar that is made to reduce energy consumption serves as a buffer from the increasingly unstable energy market.

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.

NAR appreciates the opportunity to provide our perspectives on the Recovery Through Retrofit initiative, and is very interested in continuing our productive dialogue with the interagency Energy Retrofit Working Group. If you have questions regarding these comments, please contact Russell W. Riggs, Senior Regulatory Representative, 202-383-1259 or via e-mail at rriggs@realtors.org.