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November 22, 2016

Hon. Amanda Fritz
Commissioner, City of Portland
1221 SW 4th Avenue, Suite 220
Portland, OR 97204
Amanda@portlandoregon.gov

Re: Proposed City of Portland Home Energy Score Ordinance (HESO)

Dear Commissioner Fritz:

As advocates for residential energy efficiency, the Home Performance Coalition is writing to support passage of the Proposed City of Portland Home Energy Score Ordinance (HESO). We offer this letter summarizing recent policy developments and general background information on residential energy efficiency from around the U.S. for your consideration during your November 23, 2016 Public Hearing on HESO and your December 7, 2016 deliberations. Thank you for the opportunity to provide our perspective on this important issue to home energy performance.

Background on the Home Performance Coalition

The Home Performance Coalition (HPC) is a leading advocate for residential energy efficiency in Washington, DC and the states. We are closely engaged with key decision makers in the Administration, Congress, state agencies and public utility commissions. We work to educate them on the importance of home performance, the obstacles facing the home performance industry, and the policies that can break down barriers and advance home performance at the federal, state and local levels.

HPC also works with industry stakeholders, including members of the real estate and appraisal industries as a national partner in the Department of Energy's (DOE) Better Buildings Home Energy Information Accelerator (HEIA). As a national partner, HPC is committed to making energy efficiency improvements visible in the real estate transaction through the development of national data standards such as the Building Performance Institute's (BPI) Home Performance Extensible Markup Language (HPXML) Data Dictionary and Transfer Standard that facilitate the automatic population of Multiple Listing Services (MLS) with home energy information.¹

¹ For more information on Home Performance Extensible Markup Language visit www.hpxmlonline.com.

When information about energy efficiency improvements is visible to home buyers and others involved in the home sale transaction, these improvements are more likely to be fairly valued at the time an existing home is sold.² In general, the energy efficiency and real estate industries agree that standardizing how energy efficiency project data is documented and shared with parties in the real estate transaction will help enable energy efficient features to be recognized and appropriately valued during the sale of existing homes.

Home Performance Coalition's Current Research and Policy Work on Home Energy Labeling

Data Standards and Information Technology

For the last several years, HPC has been witnessing growing consumer interest in energy efficiency as a valued feature of residential properties. Several states and cities, including Vermont, Rhode Island, Colorado, Berkeley and Austin have worked with realtors and appraisers to make information on home energy efficiency available for property listings. This includes the development of labels and scores (e.g., Home Energy Score) as well as standards (e.g., HPXML) and information technology (IT) solutions that allow for quicker and more automated transfer of home energy data to the real estate community.

A Policymaker's Guide to Scaling Home Energy Upgrades

In September 2015, HPC helped draft a comprehensive study, *A Policymaker's Guide to Scaling Home Energy Upgrades* (Scaling Home Energy) that was published by the State and Local Energy Efficiency Action Network and its Residential Retrofit Working Group (representing a broad array of stakeholders and federal, state and local experts)³. Perhaps most relevant to your consideration of HESO are the goals (page 26) set forth in the *Scaling Home Energy* study.

The study recommends that Home Energy Labelling and Disclosure should:

- Accurately indicate the home's absolute and/or relative energy consumption, in compliance with identified standards or clearly established criteria.
- Accurately indicate the home's energy efficiency features and characteristics or clearly established criteria.
- Support accurate valuation of the home's energy-efficient features at the time of resale, in compliance with identified generally accepted industry practices.
- Provide homebuyers with information in a form they can readily understand and use during the home purchase process and/or share easily with other professionals involved in the transaction.
- Encourage homeowners to make energy efficiency improvements and provide guidance on the most effective products, retrofits and upgrades.
- Provide better data for all stakeholders.

² LeBaron, Robin and Laura Stukel (2013), *Unlocking the Value of an Energy Efficient Home: A Blueprint to Make Energy Efficiency Improvements Visible in the Real Estate Transaction*. Retrieved from: http://www.homeperformance.org/sites/default/files/nhpc_white-paper-unlocking-the-value-of-an-energy-efficient-home_201308.pdf.

³ LeBaron, Robin and Kara Saul-Rinaldi in collaboration with the State and Local Energy Efficiency Action Network's Residential Retrofit Working Group (2015), *A Policymaker's Guide to Scaling Home Energy Upgrades*. Retrieved from: <https://www4.eere.energy.gov/seeaction/publication/policymakers-guide-scaling-home-energy-upgrades>.

Our review of HESO indicates that it will meet and exceed these goals and the other policy objectives described in the *Scaling Home Energy* study. Two other recommendations contained in the *Scaling Home Energy* study will be essential for the successful implementation of HESO:

- Appraiser Competency - an appraiser could not be assigned to appraise energy-efficient homes unless they have the training to complete the Appraisal Institute's Residential Green and Energy Efficient Addendum (G&EEA) and incorporate the information into the opinion of value (see page 39); and
- Real Estate Agent Training - Leverage training and state licensure requirements to ensure realtors, appraisers, and other real estate professionals have adequate training in residential energy efficiency (see page 40 and Colorado, Georgia Power examples).

Our review of HESO indicates that the Portland City Council recognizes both essential features, will take steps to develop relevant training and certification programs and will meet and exceed the general goals and objectives described in the *Scaling Home Energy* study.

In achieving these goals, HESO has the potential to support and strengthen the local real estate market. Studies conducted by the real estate and home building industries over the past five years show a strong and growing demand among homebuyers for energy efficient home features. HESO will provide real estate agents with a new tool to help buyers searching for efficient homes. By encouraging owners to make energy efficiency improvements over time, HESO will also help to expand the stock of energy efficient homes, increasing the overall value of homes in the local market.

A Policymaker's Guide to Incorporating Existing Homes into Carbon Reduction Strategies and Clean Power Plan Compliance

On November 15, 2016, HPC released *A Policymaker's Guide to Incorporating Existing Homes into Carbon Reduction Strategies and Clean Power Plan Compliance* (Carbon Strategies Guide) outlining ways in which existing homes are a key aspect to carbon reductions strategies, with details on how they complement the Clean Power Plan (CPP). The *Carbon Strategies Guide* provides a succinct and educational overview of how residential energy efficiency is particularly suited for carbon emission reduction strategies for states and cities and why it is imperative that residential energy efficiency become an integral part of carbon reduction strategies.

The *Carbon Strategies Guide* outlines how making new investments in energy efficiency is a win-win-win for states and local governments as it will reduce CPP compliance costs, help meet other state and federal policy goals, and bring immediate benefits to consumers, including reduced energy bills. By focusing on homes, the *Guide* emphasizes how to include residential consumers into the process of carbon reduction, even if it begins one person, one reduction, one community at a time.

As utilities, states and cities consider their choices to reduce the carbon intensity of their electricity generation, residential energy efficiency should be a critical part of the mix because it provides the highest return-on-investment of any other strategy. The residential sector absolutely needs to be a part of any carbon emission reduction strategy and HESO will help incorporate Portland's homes into its climate strategies in an efficient and cost effective manner.

Our review of HESO indicates that it will allow the City of Portland achieve many of the carbon reduction goals described in the *Carbon Strategies Guide*.

Economic Development and Consumer Protection Implications

HPC would also like to make two final notes that place HESO into an economic development and consumer protection context. First, there is a growing recognition of the job creation potential of the energy efficiency industry, including the residential energy efficiency market. For example, the U.S. Department of Energy (DOE) released its first *Annual United States Energy and Employment Report* (USEER) providing a comprehensive summary of energy related jobs in the U.S. The USEER study confirmed what many allies and stakeholders of HPC already know – that with almost 1.9 U.S. million jobs, energy efficiency firms are a significant and growing segment of the national energy economy. In fact, of the four market segments analyzed in the USEER study, energy efficiency firms projected the highest growth rate over the coming 12 months, expecting to add another 257,000 jobs to the sector for a projected growth of 14% in 2016-2017.

Second, from the home consumer protection perspective, there is a growing body of research demonstrating that investments in energy efficiency improvements in homes can improve resale values and capture a return on energy improvements in the home. A Report in the Winter 2016 *Journal of Structured Finance* concluded, based upon a study of 773 energy efficiency retrofitted homes located across 110 different zip codes in California, that “homeowners are able to recover at least their full costs at resale, whereas most other home-improvers are only able to recover about 60%.⁴”

Conclusion

Thank you for this opportunity to summarize recent policy developments and general background information on residential energy efficiency for your consideration. For all the reasons set forth above, HPC supports HESO and hopes to work with you and industry stakeholders on implementation strategies. Please feel free to contact Joseph Cullen, HPC’s Director of Policy and State Outreach at (202) 759-9612 or JCullen@Homeperformance.org should you have any questions about the research and policy issues described in this letter or require additional information. Your leadership on this critical issue is appreciated.

Sincerely,



Brian T. Castelli
President & CEO

⁴ / Goodman, Laurie and Jun Zhu, *Pace Loans: Does Sale Value Reflect Improvements?* Institutional Investor Journal (Winter 2016). Retrieved from: http://www.iinews.com/site/pdfs/JSF_Winter_2016_PACENation.pdf