JANUARY 2024

THURSTON CLIMATE MITIGATION PLAN

ADVANCING ENERGY EFFICIENCY IN RESIDENTIAL BUILDINGS

Appendices

THURSTON REGIONAL PLANNING COUNCIL

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Appendix A

Property Tax Incentives for Energy Efficiency

Background

Two actions in the Thurston Climate Mitigation Plan (TCMP) propose establishing a property tax credit or other incentive as a means of driving behavior to reduce energy use in existing residential buildings:

- ***Action B1.4 – rental housing energy efficiency incentives.*** Provide incentives such as property tax breaks for landlords who install energy conservation measures in rental housing.
- ***Action B1.5 – property tax credit.*** Create incentives such as a property tax credit for property owners who participate in energy efficiency.

This section provides background research into the feasibility of such an approach, by addressing the following questions:

- How do property tax credits (and other tax incentives) work in Washington state?
- Are there examples of states or local governments that offer property tax credits for residential energy efficiency improvements, and how do they work? Are there any credits specific to rental housing?
- What should TCMP partners consider in designing an energy efficiency property tax credit, or other incentive?

How do property tax credits (and other tax incentives) work in Washington state?

All real property in Washington state is taxed, including land, structures, and improvements to land and structures. Property taxes are collected by county treasurers according to property values determined by county assessors. This authority is granted to counties by the state, but also limited – one notable constraint is that since a 2001 voter initiative affirmed by the legislature, property tax levies are limited to a 1 percent annual increase. The state Constitution requires that property taxes be uniform within a taxing district for properties with the same market value, but because there are hundreds of separate local taxing districts, many of which overlap, there is a lot of variation.[1]

There are several types of tax incentives, only some of which are authorized for property taxes in Washington State:

Credits – a tax credit is a dollar-for-dollar reduction in a taxpayer's tax liability—it directly reduces the amount of tax owed.

- Washington state does not authorize credits for property taxes. This is because the Washington State Constitution requires that taxes on real estate be uniform within a taxing district.
- There are many credits that reduce other types of taxes – especially business and occupation (B&O), public utility (PUT), and retail sales taxes. The majority of these are for businesses, while a few can be claimed by individuals. For example, the clean alternative fuel commercial vehicle credit allows businesses to apply a credit to their B&O or PUT taxes, while the new Working Families Tax Credit, returns a portion of state sales tax to qualifying individuals.

Exemptions and Deductions– a tax exemption is an indirect benefit that reduces the taxable base amount (such as assessed property value) based on specific criteria (exemption) or by the value of a specific expense (deduction).

- The state Constitution authorizes the legislature to grant tax exemptions for certain types of property. The legislature has used this authority to create many exemptions for types of property uses (ex., public property, churches, nonprofits).
- The state authorizes an exemption for ***improvements to single family homes***. The exemption applies to "any addition, improvement, remodeling, renovation or structural correction" that adds permanent value to the home. This broad definition does not specify energy efficiency upgrades. It could apply to any improvements not considered repairs or ordinary maintenance, though most typical energy efficiency improvements are not sufficient to increase the value of residential property. The exemption lasts for three years, but the property owner must file a claim with the county assessor's office in advance of the renovation.
- The ***Multi-Family Housing Property Tax Exemption*** (MFTE) exempts the value of residential improvements, including construction and rehabilitation of structures with four or more units. The exemption lasts 8, 12, or 20 years, depending on the amount and quality of affordable units within the building. The MFTE does not have any requirements specific to energy efficiency.
- The state Constitution was amended in 1966 to allow counties to offer property tax exemptions to some types of property owners, including senior citizens and disabled persons.
- Although technically not an exemption, the state Constitution was also amended to allow open space, timber, and agricultural lands to be assessed at a lower rate – this reduction is based on the land's current use (not zoning), and must be reimbursed if the land changes its use.
- As with tax credits, state tax deductions are applied to B&O, PUT, sales and other excise taxes, not to property taxes.

[1] Washington's property tax structure is very complicated, and this overview is necessarily simplified. The Municipal Research and Services Center (MRSC) and Washington State Department of Revenue have excellent resources that can partially demystify this world.

Washington State uses a budget-based system for property taxes. This means the process starts with each taxing district determining the total amount of revenue needed to meet their budget (the amount they need to levy), then the county assessor calculates how properties within the district will meet that total, according to their value (the levy rate). This method is the opposite of how property taxes are assessed in many other states. One consequence of this budget-based system is that when the tax collected on some properties is reduced through an exemption, the tax from remaining taxpayers must increase to make up the difference (within other limits imposed by law)—this is referred to as a tax shift.

Considerations

Property tax incentives, and most other types of tax incentives, must be authorized by the state. TCMP partners would need to work with state legislative representatives and other stakeholders to draft language authorizing an incentive that meets their residential energy efficiency goals, and support a bill through the statewide legislative process. This process would likely take several years, and would be helped by partnering with other entities across the state.

Property taxes make up a substantial portion of local government revenue – this dependence means partners need to carefully consider the budget impacts of any type of program that could affect property tax revenue. Property taxes are especially important to the budgets of Thurston County, local school districts, and special use districts like fire districts. Cities rely less on property taxes, but they are still an important revenue source. Partners would also need to consider how an incentive for some residents might shift the property tax burden onto others, as well as how it would interact with various property tax limits in state law.

Unless carefully designed otherwise, tax incentives disproportionately benefit higher-income households and can have other unintended impacts on vulnerable communities. Tax incentives are generally designed to reduce tax liability, but lower income households typically have low or no tax liability, so these incentives offer them limited benefit. Property tax incentives are only available to property owners, who tend to be higher income, and when property tax incentives are set as a proportion of an increase in assessed value, they reward the most expensive and visible improvements over smaller, but critical improvements. Low-income households also have more difficulty paying the up-front expense required to access most tax incentive, rebate, and loan programs. A review of the distribution of federal income tax incentives for weatherization and other clean energy investments found they predominantly benefited higher income households (Borenstein and Davis, 2016), while the property tax incentives offered in Baltimore, Cleveland, and Cincinnati have been criticized for contributing to housing displacement of vulnerable and low-income communities. These impacts can compound: the costs of tax incentive programs are often covered by raising rates for all taxpayers (tax shift)—when low-income households participate in incentive programs at a lower rate, it means they are covering the costs of programs that disproportionately benefit higher-income households.

More equitable approaches to tax incentives credit the dollar value of energy efficiency improvements (rather than the change in assessed value), set a maximum cap on the value of improvements, target or increase incentives for low-income or vulnerable individuals, and/or are offered at the time of purchase to reduce or eliminate up-front costs.

While the cost of energy efficiency improvements can be a barrier to reducing home energy use, it is not the only impediment. Many households are unaware of the potential cost and health benefits of energy efficiency improvements, or lack the time or expertise to complete them. The most robust residential energy efficiency programs, such as those offered in Colorado and Minneapolis, include tax incentives as one aspect of a full suite of integrated financial and non-financial programs. Incentives can be paired with regulatory approaches (ex., as a reward for meeting or exceeding a building performance standard) and non-regulatory technical support (ex., as part of a navigator program that conducts outreach to households, and connects them with appropriate resources).

Examples from other states and local governments

Few states and local governments offer property tax incentives for home energy efficiency improvements. Other types of tax incentives are more common, including sales tax exemptions for equipment, loan or rebate programs for equipment or installation, or personal income tax credits. Other types of incentive programs are operated by local non-governmental organizations (NGOs) or community-based organizations (CBOs).

Among jurisdictions that do offer a property-tax-based incentive, strategies vary and include:

- Portion of the dollar value of improvements (ex., up to 40%)
- Portion of any increase in a property's assessed value resulting from improvements (ex., 100%)
- A maximum dollar amount (ex., $1,000)
- Many programs limit annual exemptions to a total budgeted amount and/or sunset the exemption after a set period of years

Maryland

Maryland created two local property tax credit options for energy conservation devices and high-performance buildings, as part of a suite of state-led energy efficiency incentive programs. Only a few of the state's largest counties have opted to offer these tax credits.

- ***Anne Arundel County*** offers a High Performance Dwelling Property tax credit to homeowners whose dwellings meet the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System or the National Green Building Standard (NGBS). The credit is available for five years, and applicants must apply each year.
    - LEED or NGBS Silver – 40% tax credit up to $1,000
    - LEED or NGBS Gold – 60% tax credit up to $2,000
    - LEED Platinum or NGBS Emerald – 80% tax credit up to $3,000
- ***Baltimore County*** offers a High Performance Homes credit that is similar in many respects to Anne Arundel's, but also offers credits for buildings that achieve a minimum 30% energy efficiency improvement through renovation. This specific credit is available for three years, but if the property achieves carbon neutrality, it can be claimed for five years.
- ***Montgomery County*** homeowners are eligible for up to $250 in tax credits for energy efficiency improvements such as air-sealing and insulation, heating and cooling equipment, windows, and doors. The credit can be taken once per year for purchases made during that year. The amount available annually is $100,000, and applications are processed in the order they are received.
- The ***City of Baltimore*** offers a High-Performance Market-Rate Rental Housing Property Tax Credit, which credits the increased value due to improvements for converted buildings that are located in certain areas of the city, contain at least 50 market-rate residential units, and meet LEED Silver standard or the City's own green building standard. The credit decreases in value over a period of 15 years. This credit was intended to encourage investment in the city and

rehabilitation of existing structures in an environmentally sustainable way, but has been criticized for disproportionately benefitting affluent neighborhoods and upper-end housing, while reducing tax revenues that benefit all residents.[2]

Ohio

Ohio authorizes local governments to offer property tax exemptions within designated Community Reinvestment Areas (CRA). The cities of Cincinnati and Cleveland both created CRA's for their entire municipal boundaries and offer property tax exemptions (called abatement) on the value of improvements to existing residential properties for up to 15 years, with special incentives for improvements that achieve green building standards. Both cities have been reviewing and updating their standards to address concerns about equity and displacement of vulnerable communities.

- ***Cleveland*** offers 100 percent property tax exemption of the increased assessed value of remodeling improvements on homes that meet the city's Green Building Standard. This incentive is available to both single-family and multi-family home renovations. Applicants for the exemption must hire a third-party consultant to certify the home's compliance and file a Green Development Plan. A recent review of the city's tax incentives[3] recommended the city continue to offer the tax abatement for residential properties tied to green construction standards, but make some modifications to place a cap on the maximum value of the abatement for single-family homes and create displacement safeguards for multi-family development.
- ***Cincinnati*** updated its incentive program as of 2022, and now exempts property tax up to a maximum market improvement value from renovations, with increased incentives for buildings that meet either LEED or Living Building Challenge (LBC) building standards. The changes were made to address concerns that the uncapped incentive was driving up costs and displacement in lower-income and underserved neighborhoods. The new incentives are greater for renovations and remodels than new green buildings and provide extra credit for historic buildings, to discourage teardowns.
    - 1-4 units and condominiums **–** The maximum improvement value for improvements is up to $800,000 in improved value for LEED Platinum or LBC Full or Petal, compared to only $200,000 maximum value for a remodel that is not LEED or LBC certified. The term of the incentive also is longer for renovations that meet LEED or LBC standards – 15 years rather than 12.
    - 5+ units **–** Larger multifamily renovations are eligible for a maximum net property tax exemption of up to 67% of the increased assessed value for up to 12 years, with largest incentives for LEED- and LBC-certified buildings. To receive this exemption, the project must result in job creation and the developer must pay the equivalent of 33% of the abated taxes to the local school board.

Minneapolis

Minneapolis, Minnesota, does not offer a property tax incentive for energy efficiency upgrades, but the city does pair a Green Cost Share program with its Affordable Housing property tax reduction.

- Owners of market-rate multifamily housing and single-family rental homes where at least 20% of the rental units are occupied by and affordable to households with income levels at or below

[2] Ernst & Young LLP, Property Tax Credit Analysis for the City of Baltimore, April 2022
[3] Cleveland Tax Abatement Study, 2020.

60% of the area median income (AMI) qualify for the city's 4d Affordable Housing Program, which provides a 40% property tax rate reduction for up to 10 years.

- Properties enrolled in the 4d program also receive free or low-cost energy efficiency and healthy homes assessments, and a 40% cost match from the city on energy efficiency improvements up to $20,000. This incentive can be combined with a utility credit that covers up to 70% of the improvement costs.
- The Green Cost Share program is also available to multifamily developments (3+ units) that are not part of the 4d program, though these units only receive a 20% cost share on improvements up to $20,000. Properties in the city's Energy Benchmarking program qualify for a 25% cost share, while those in city-designated "Green Zones"—areas flagged by the city for addressing environmental justice—qualify for a 30% cost share. Overall, the Cost Share program has completed 318 energy efficiency projects since 2016. The program is run through the city's Public Health department and funded through an annual pollution control registration fee and utility franchise fees.

Colorado

EnergySmart Colorado began as a pilot program in three counties using a federal grant, and has now expanded to 18 counties. Each program works through a local partner to create a one-stop shop that helps residents identify, finance, and schedule energy efficiency improvements. The program connects applicants with an energy advisor who guides them through a home energy assessment, identifies applicable upgrades and incentives, and coordinates with an approved list of contractors to help ensure the work gets completed. The program is available to renters, with signed permission from the landlord.

- ***Boulder County***'s EnergySmart program includes rebates that reimburse up to 25% of the project cost of energy efficiency improvements including heat pumps, insulation, and fuel switching from a gas to electric appliance (maximum $100-300, depending on the project). EnergySmart program was initially funded by a federal grant; today, a portion of that seed funding is held in a loan-loss reserve and rebates are covered by the county's Sustainability Tax.

Michigan

Washtenaw County offers a deferred loan program to cover home improvements for families earning 80% or less of area median income. The program is not available for rental units. A loan of up to $25,000 for eligible project costs is registered as a 0% interest lien with no repayment obligations unless the property is sold. One-third of the lien is forgiven every 10 years, so if the homeowner stays at the property for 30 years, the entire loan is forgiven. The deferred loans create a revolving fund, which is supplemented by federal funding from HUD. The program supports around 50 projects a year, though need outstrips availability. While the program's intent is to improve overall housing conditions, it is a potential model for a program more focused on energy efficiency.[4] Washtenaw County operates the program through its Office of Community and Economic Development, which functions as a Community

[4] The Opportunity Council of Washington operates a similar deferred loan program for home repairs in Island, San Juan, and Whatcom counties, but without a loan forgiveness component. This program was the model for the Home Rehabilitation Loan Program (HRLP) developed by the Washington State Department of Commerce. The state program does charge an interest rate (4.7% in 2022), and is only available to rural low-income households with income at or below 200% of the federal poverty level. It is not available to Thurston County households.

Action Agency (CAA) using federal funding to offer services to alleviate poverty. In Thurston County, this role is held by the Community Action Council, rather than a local government agency.

Resources

- Washington State Department of Revenue: https://dor.wa.gov/taxes-rates
- Municipal Research and Services Center of Washington: Property Tax in Washington State - https://mrsc.org/explore-topics/finance/revenues/property-tax
- Senate Ways and Means Committee. 2020. A Legislative Guide to Washington's Tax Structure. https://leg.wa.gov/LIC/Documents/EducationAndInformation/Guide%20to%20WA%20State%20Tax%20Structure.pdf
- North Carolina Clean Energy Technology Center, Database of State Incentives for Renewables & Efficiency (DSIRE). https://www.dsireusa.org/
- Leventis, G. and J. Deason. 2021. Deferred Payment Loans for Energy Efficiency. https://www.energy.gov/sites/default/files/2022-01/deferred-payment-loans-for-energy-efficiency-cs.pdf
- Brown, M. et al. 2020. High energy burden and low-income energy affordability: conclusions from a literature review. Prog. Energy 2 042003. https://iopscience.iop.org/article/10.1088/2516-1083/abb954
- Borenstein, S. and L. Davis. 2016. The Distributional Effects of US Clean Energy Tax Credits. Tax Policy and the Economy, Vol. 30, No. 1. https://www.journals.uchicago.edu/doi/full/10.1086/685597

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Appendix B

Policy Options

TRPC staff developed the following potential policy options based on a review of literature and case studies, including the American Council for an Energy-Efficient Economy (ACEEE) State and Local policy database and the North Carolina Clean Energy Technology Center's Database of State Incentives for Renewables & Efficiency (DSIRE).

Cost Estimates

- $ = less than $100,000
- $$ = $100,000-$1,000,000
- $$$ = $1,000,000

More detailed cost estimates are included with the description of each action.

Staff Requirements

- Low = less than 1 FTE for limited duration, across all partners
- Medium = 1 FTE for longer duration, across all partners
- High = More than 1 FTE, for indefinite duration, across all partners

Action	Initial Cost	Ongoing Costs	Staff Requirements	Potential Lead
Outreach and Technical Support				
State and Federal Program Tracking and Advocacy	$	$	Low	Thurston County, Lacey, Olympia, Tumwater
Energy Navigator Program (State)	$	-	Low	WA Dept Commerce
Energy Navigator Program (Local/Regional)	$$	$$	Medium-High	Thurston County, Lacey, Olympia, Tumwater, local NGO
Financial Incentives				
Single Family Home Improvement Tax Incentive Amendment	$	$	Low	Thurston County, Lacey, Olympia, Tumwater
Multifamily Housing Tax Exemption Amendment	$	$	Low	Thurston County, Lacey,

Action	Initial Cost	Ongoing Costs	Staff Requirements	Potential Lead
				Olympia, Tumwater
Alternative Property Tax Incentive	$	$	Low	Thurston County, Lacey, Olympia, Tumwater
Alternative Financial Incentives	$	$	Medium	Thurston County, Lacey, Olympia, Tumwater
Regulatory Approaches				
Energy Performance Rating and Disclosure (State Program)	$	$	Low	WA Dept of Commerce
Energy Performance Rating and Disclosure (Local/Regional Program)	$$	$$	Medium-High	Thurston County, Lacey, Olympia, Tumwater
Performance Standard (State Program)	$	$	Low	WA Dept of Commerce
Performance Standard (Local/Regional Program)	$$	$	Medium	Thurston County, Lacey, Olympia, Tumwater
Supporting Actions				
Block Grant Coordination	$	$	Low	

Outreach and Technical Support

TCMP Action: Supports existing actions B3.1 and G1.7

With many new funding tools and programs to support residential energy efficiency improvements, a key step for partners includes tracking these resources, and ensuring they can be appropriately applied in the Thurston region, as well as helping to connect residents with the resources available to them. To be effective, this action must go beyond providing information, and involve proactive and targeted engagement through trusted community partners.

State and Federal Program Tracking and Advocacy

- **Description:** Track and comment on energy efficiency program and funding rules under development with the Washington Utilities and Trade Commission, Puget Sound Energy, Department of Commerce, Department of Ecology, and federal programs (DOE, EPA, HUD). Following the development of new programs can help ensure they will be aligned with the needs of local residents.
- **Potential Lead:** TCMP partners

- **Estimated Cost/Staff Requirements:** Could be built into existing work programs for staff (either a single staff person or distributed across several staff), but with recognition that monitoring and reporting on programs will take dedicated 0.10-0.20 FTE.
- **Funding Source:** Local funds.

Energy Navigator Program

- **Description:** Develop an energy efficiency navigator program to connect residents with existing federal, state, and local resources. Develop targeted outreach and guidance for different types of property owners and renters on ways to make their homes more energy efficient. The program could help connect residents with home energy assessments and resources, including any local, state, and federal incentives that can help offset the cost of improvements.

  The scale and cost of such a program will vary greatly depending on its scope–options include:

  - **State Navigator Program:** Advocate for and support the development of a statewide energy navigator program, similar to the program proposed in House Bill 1391 which was introduced in the 2023 Washington State Legislative session.
  - **Single-Jurisdiction Pilot Program:** Develop a navigator program targeted to one TCMP jurisdiction; lessons learned from establishing the program could be applied to improve the program, and potentially expand it to a wider area.
  - **Regional Program:** Develop a navigator program available to all residents of the Thurston County region.
- **Potential Lead:** County/cities; Community-based organization; Washington State Department of Commerce
- **Partners:** WSU-Extension, PSE, local energy efficiency contracting companies, Community Action Council
- **Estimated Cost/Staff Requirements:** Varies, depending on scope. Advocacy for a state program could be built into existing programs for legislative advocacy; $75,000 to establish the first phase of a single-jurisdiction pilot program; $150,000 to establish the first phase of a regional program. Ongoing funding to support outreach staff would depend on scope and reach of program—as an example, Energy Smart Colorado, a 501(c)(3) nonprofit organization which helps coordinate energy navigator services and incentives to 18 Colorado counties has one full-time staff member and annual expenses of around $230,000 per year.
- **Funding Source:** State or Federal grant would be a good source for startup funding, such as the Energy Efficiency Block Grant program (HUD), Climate Pollution Reduction Implementation Grants (EPA), Greenhouse Gas Reduction Fund (EPA). Over the long term, many navigator programs transition to being run as or through nonprofit organizations.

Financial Incentives

TCMP Action: Supports existing actions B1.4 and B1.5

Two actions in the TCMP propose establishing a property tax credit or other incentive as a means of driving behavior to reduce energy use in existing residential buildings. Appendix A looks at the feasibility and examples of different tax incentives, especially those connected to property tax. Tax incentives must be carefully designed to meet restrictions in state law, and not cause unintended impacts to vulnerable communities. These options will be most effective if paired with regulatory strategies and technical support programs described elsewhere. If considering financial incentives, partners may benefit from contracting with an economic consultant with expertise in this area who can evaluate the market conditions and program specifications that would help make any incentive effective, as well as implications to revenue sources.

Single Family Home Improvement Tax Incentive Amendment

- **Description:** Develop language that amends the existing exemption for single family home renovations (RCW 84.36.400 and WAC 458-16-080) to explicitly exempt energy efficiency improvements. For example, the incentive could exempt 50% of the value of improvements to a home that improves efficiency by 30% or more for up to $1,000 for three years. The exemption could include the cost of documenting the home's efficiency against an approved green building standard. The exemption also could be amended to allow credit for energy efficiency improvements made to duplexes and triplexes. If permitted for rental properties, the exemption could be combined with a requirement to not increase rental rates above a certain percentage within a set number of years. Work with state legislators and partners around the state to advocate for the change.
- **Potential Lead:** County/cities
- **Partners:** Local state representatives; local Assessor's office, BIAW, OMB
- **Estimated Cost/Staff Requirements:** $50,000 to contract for market analysis and draft language; additional advocacy costs could be integrated into regular staff work programs. Ongoing staff requirements would include costs to administer and process the incentive. Ongoing costs could include shifts in revenue and tax burden, which would depend on popularity of the incentive.
- **Funding Source:** Local funds.

Multifamily Housing Tax Exemption Amendment

- **Description:** Develop language that amends the existing exemption for multifamily housing (RCW 84.14) to explicitly exempt energy efficiency improvements to existing multiple unit housing (four or more units). Any exemption would need to be designed to work in tandem with requirements of the Clean Buildings Performance Standard (RCW 19.27). Work with state legislators and partners around the state to advocate for the change.
- **Potential Lead:** County/cities
- **Partners:** Local state representatives, local Assessor's office, BIAW, OMB
- **Estimated Cost/Staff Requirements:** $50,000 to contract for market analysis and draft language; additional advocacy costs could be integrated into regular staff work programs. Ongoing staff requirements would include costs to administer and process the incentive. Ongoing costs could include shifts in revenue and tax burden, which would depend on popularity of the incentive.
- **Funding Source:** Local funds.

Alternative Property Tax Incentive

- **Description:** Develop language for a new property tax exemption for energy efficiency improvements that would apply to both single family and multifamily homes.
- **Potential Lead:** County/cities
- **Partners:** Local state representatives, local Assessor's office, BIAW, OMB

- **Estimated Cost/Staff Requirements:** $50,000 to contract for market analysis and draft language – addition cost to allow for additional scoping; advocacy costs could be integrated into regular staff work programs. Ongoing staff requirements would include costs to administer and process the incentive. Ongoing costs could include shifts in revenue and tax burden, which would depend on popularity of the incentive.
- **Funding Source:** Local funds.

Alternative Financial Incentives

- **Description:** Evaluate options to develop an incentive that would apply to another type of tax—such as a credit to local real estate excise tax or public utility tax—or develop a different type of incentive, such as a rebate, cost share, or deferred loan program.
- **Potential Lead:** County/cities
- **Partners:** TCAT, Washington State Energy Office, WSU-Extension, OMB, BIAW, local home financing companies
- **Estimated Cost/Staff Requirements:** $75,000-100,000 to contract for market analysis, evaluation of alternatives, and draft language – cost to allow for additional scoping and stakeholder outreach.
- **Funding Source:** Local funds.

Regulatory Approaches

TCMP Action: Supports existing actions B1.1 and B1.6

Several actions in the TCMP focus on increasing requirements for reporting out and improving home efficiency. A review of state and local policy options backs up the contention included in the TCMP's action assessment that mandatory policies are more effective than informational and voluntary programs alone, however, the best practice is to combine regulatory approaches with technical support and financial incentives.

TCMP partners should be aware that regulatory strategies, such as those proposed below, can have unintended consequences to vulnerable communities – homeowners and smaller landlords may face barriers in addressing policies, and aggressive compliance may result in higher rents and displacement. Suggested steps to mitigate those impacts include (Samarripas et al, 2021):

- Provide technical assistance to building owners
- Offer financial assistance to building owners
- Allow flexibility around compliance, including longer timeframes and multiple pathways to compliance
- Set performance standards based on the median ENERGY STAR score for different property types
- Fine noncompliant buildings on the basis of how much progress they have made in reducing energy

Energy Performance Rating (Benchmarking) and Disclosure

- **Description:** One of the barriers to improving the energy efficiency of existing housing units is a lack of homeowner awareness and information on the energy performance of their properties. Without this information, it is challenging for consumers to prioritize energy efficiency in home purchasing and improvement decisions. To address this challenge, several cities and states have developed residential home energy labeling policies and programs (ex., Portland, Austin, Chicago, Minneapolis). A home energy labeling program provides homeowners and homebuyers with an assessment of home energy performance, expected energy costs, and cost-effective improvements to reduce energy use and costs. Such a program can lay a solid foundation for The scale and cost of such a program will vary greatly depending on its scope–options include:

    - **State Program:** Advocate for a statewide residential benchmarking program as part of a legislative agenda
    - **Local Performance Rating and Audit Program:** Develop and adopt a policy that requires building owners to measure their energy use and report it at a key point – such as when listing a home for sale or rent. In addition to establishing the rating requirement, a complementary program would require a certified building professional to perform a site inspection that generates the rating. These audits could also identify potential energy efficiency upgrades. Such a program would be most effective at a regional level, but could be started as a pilot focusing on a single jurisdiction.
- **Potential Lead:** Washington State Department of Commerce; County/cities
- **Partners:** Thurston County Auditor, Realtor's Association
- **Estimated Cost/Staff Requirements:** Varies, depending on scope. Advocacy for a state program could be built into existing programs for legislative advocacy; $200,000 to establish program; Ongoing costs will depend on the reach of the program, and the extent to which local governments would offset the cost of the energy audit.
- **Funding Source:** State or Federal grant would be a good source for program development funding, such as the Climate Pollution Reduction Implementation Grants (EPA), Greenhouse Gas Reduction Fund (EPA).

Performance Standards

A building performance standard (BPS) is a policy that sets energy use or greenhouse gas emissions targets for existing buildings. BPS policies typically set increasing targets over time, with timelines often varying based on the size of the building or equity considerations, such as allowing extended timelines for compliance for affordable housing. Washington State's current Clean Buildings Performance Standard will only apply to multifamily residences with more than four units that are larger than 20,000 square feet. A Performance Standard builds on and goes a step further than an energy performance rating, but could be set as a voluntary target that allows access to financial or non-financial incentives.

The scale and cost of such a program will vary greatly depending on its scope–options include:

    - **State Program:** Advocate for a statewide performance standard that applies to smaller buildings as part of a legislative agenda (i.e., buildings not already subject to the Clean Buildings Performance Standard, such as single-family homes and multifamily buildings less than 20,000 square feet in size)
    - **Local Program:** Develop and adopt a regional or city/county-specific performance standard for smaller buildings (i.e., buildings not already subject to the Clean Buildings Performance Standard, such as single-family homes and multifamily buildings less than 20,000 square feet in size).

- **Potential Lead:** County/cities
- **Partners:** Realtor's Association
- **Estimated Cost/Staff Requirements:** Varies, depending on scope. Advocacy for a state program could be built into existing programs for legislative advocacy; $200,000 to establish program; Ongoing costs will depend on the reach of the program, and the extent to which local governments would offset the cost of the energy audit.
- **Funding Source:** State or Federal grant would be a good source for program development funding, such as the Climate Pollution Reduction Implementation Grants (EPA), Greenhouse Gas Reduction Fund (EPA). Ongoing costs would be covered by permitting fees.

Supporting Actions

TCMP partners can continue to look for ways to collaborate and pool funding resources in order to have a larger impact on local energy efficiency. These activities do not directly decrease emissions, but could help fill information gaps and better guide progress toward achieving emission reduction targets.

Block Grant Coordination

- **Description:** Collaborate on a shared approach to use of Energy Efficiency Community Block Grant (EECBG), Community Development Block Grant (CDBG) funds, and other block grant sources.
- **Potential Lead:** County/cities
- **Partners:** Jurisdiction housing staff
- **Estimated Cost/Staff Requirements:** No additional cost – build into existing staff work programs
- **Funding Source:** Local funds