

Thurston County Climate Mitigation Collaborative (TCMC)

Home Energy Score (HES) Model Ordinance Development Stakeholder Engagement – Focus Groups

Summary Report – October 2024

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Background:

In September 2024, the TCMC team conducted a series of in-person focus groups focused on the TCMC and HES Model Ordinance Development. The TCMC team presented HES activities to key groups of industry professionals and collected critical feedback for use in recommendations to finalize the HES policy. The following summaries of each focus group are provided for reference.

Focus Group 1: Real Estate Transaction

Date/Time: 9/17/2024, 3 -5 p.m.

Attendees: Dwayne Boggs, Home Inspector, Boggs Inspection Services
Polly Barber, Realtor, Homes by Polly Barber
Anya Myer, Realtor, ReMax
Kim Piper, Realtor, Thurston County Realtors Association
Garen Thatcher, HES Provider, SwiftSure Energy Services

Key Points:

- General
 - o HES will not drive home sellers to do upgrades, but may educate and inform them for future homes, and may provide a roadmap for buyer-financed improvements. The HES is then informational and educational only.
 - o There is general confusion about the HES and the Home Energy Rating System (HERS, used in new construction primarily).
 - o The real estate transaction process is complicated, already overly bureaucratic and time-constrained in its procedure, and highly emotional. The group felt that adding a HES requirement without creating a simple, streamlined approach would add additional burden and that home buyers and sellers would not be motivated to take any action on HES results during the transaction process. They strongly suggested that the HES at some other point in the process could be highly educational and valuable to homeowners, but not during sale.
 - o Energy is currently part of the home inspection discussion, but not front and center because there are so many other competing, higher-priority issues.
 - o This is more of an educational and informational opportunity than an opportunity to directly influence upgrades at time of listing.
 - o Thurston County doesn't have low income purchasing, it's too unaffordable.
- Administration of HES Program:
 - o Should be separate from real estate agents to create third party neutrality to scoring. Real estate agents also do not want associated liability. Also noted in the

skill set of real estate agents. Differentiation was noted in the training and licensing requirements of Realtors versus real estate agents.

- Program administration (i.e. Energy Trust Oregon) can be income producing.
 - There is concern about the quality of information generated by the HES versus a full inspection using traditional test methods (i.e. blower door, duct blaster).
 - Utility programs used to offer free energy “inspections” that could have been used to provide HES free of charge to qualified utility customers. Now they are online/consumer implemented.
 - Should target key neighborhoods for outreach where both income level and age of buildings is optimal for improvements.
 - The consensus was that if it’s not a mandatory program it’s not worth pursuing. However, compliance became a large point of discussion and most felt that it was not enforceable because of current understaffing and the necessary focus on health and safety.
 - Tracking projects over time in a countywide database to see progress over time is necessary and prudent.
- Valuation & Financing
- There is a disconnect between the cost of implementing energy upgrades and the value realized in the appraisal process. There should be engagement with the appraisal industry and some requirement for the use of Green Addendum (Appraisal Institute).
 - If a model like Energy Spark (Energy Efficient Mortgage lenders) could be promoted and HES were a requirement by the County, it would allow more homeowners to utilize an EEM.
- Workforce Development
- Mandatory programs create demand for service and demand for trained workforce.

Focus Group 2: Building Industry

Date/Time: 9/18/2024, 9 -11 a.m.

Attendees: Ben Francois, Habitat for Humanity
Mark Shepherd, New Homebuilder Superintendent, Rob Rice Homes
Jessie Simmons, New Homebuilder Owner
Kevin Zwink, City of Lacey, Code Compliance Officer
Nate Kilby, Right Way Home Inspections, Owner/Inspector

Key Points:

- General
 - Contractors are not recommended directly as it can be seen as favoritism, but there are often no consistent methods to vet contractors.
 - The idea of a new facet to hinder the already burdened transaction process resurfaced, and that negative information might decrease the value of the home or profit for the seller.
 - Anything that is a new requirement from the government will leave a bad taste in people's mouths.
 - Passive House Institute was referenced as a good source of education. It was suggested that a trifold brochure or other communications materials describing the HES, with a QR code for more information, would be helpful in transactions with consumers.
 - Write low-income subsidization of the cost of getting HES into all program rules and processes.
- Compliance
 - Jurisdictions have limited code compliance and inspection teams who are already unable to complete caseloads and are focused on life safety and health concerns first. The likelihood that compliance can be supported by local government is next to none.
 - Potentially, if compliance was tied to mortgage signing, the fees could be taken out of escrow at closing to pay and collect HES. There has to be a way to handle it outside of municipal enforcement.
- New Construction
 - Energy performance is driven by energy code, which is very stringent already. New homes will inherently score very well with HES because of code requirements.
 - A path needs to be provided to provide "equivalent" score on new homes meeting energy codes – and other voluntary above-code programs – without adding cost or process.

- Energy improvements raise costs that are then incurred by the homebuyers, and that raises prices on other homes in the market.
- Meeting high levels of energy performance has increased costs.
- Existing Homes
 - Energy is not part of the conversation with sellers and buyers, just when noting equipment or features (i.e. windows, no insulation, old equipment) that could need to be updated and suggestion to talk with contractor.
 - The appraisal process should be looked at – how would they calculate these improvements into their values (Green Addendum, Appraisal Institute was again referenced).
- Low-Income
 - Low-income buyers should not be expected to handle the financial burden of incurring rebates, they should be grant.
 - Need to be cognizant that low HES could eventually equate to lower home value, making older homes in low—income situations less desirable or valuable in the market.

Focus Group 3: Mixed Industry Professional

Date/Time: 9/18/2024, 12 – 2 p.m.

Attendees: Jordan Howden, Weatherization Program Manager, Community Action Council
 Nate Krebs, Weatherization Superintendent, Community Action Council
 PK Long, Code Compliance Officer, City of Tumwater
 Doug Mah, Director of Public Policy, Thurston County Chamber of Commerce
 Dietrich Schmitz, Advanced Downpayment Assistance Program Manager, Washington State Housing Finance Commission

Key Points:

- General
 - Energy Spark program (energy efficient mortgage) is available in Washington and requires a HES. There is little awareness or uptake of the program, seemingly due to low promotion and lack of HES at sale, transaction process timing limitations. There were additional concerns raised about anything that complicates listing and sale of houses, already very complex, arduous, expensive.
 - There is little awareness of the HES and high concern about additional government intervention in private-sector processes.
 - Programs must be mandatory or they are ineffective, at best.

- HES is very “watered down” compared to other home energy assessment models.
- Sellers and buyers can circumvent the required HES at listing by simply not listing the house (i.e. for sale by owner). This needs to be remedied somewhere in the finance process.
- This could be considered akin to septic system inspection and functionality requirements at sale, where energy performance and carbon emissions are considered (in future) to have some limitation at time of sale. Could also be considered like wood stove replacement at time of sale or major upgrade (building permit pull).
- Concerns were raised about future requirements for certain energy performance levels at time of sale.
- PSE should participate significantly in providing assessments.
- Before requiring HES, there should be an education and outreach campaign leading up to launch.
- Compliance
 - There are significant barriers to cities and jurisdictions doing enforcement of noncompliance of HES at listing, most related to funding and staffing issues that will remain unresolved. Needs to be built into financing process to be effective, could also be financially incentivized instead of fine-based.

Focus Group 4: **Mixed Industry Professional**

Date/Time: 9/19/2024, 2:30 – 4:30 p.m.

Attendees: Thea LaCross, Executive Director, Thurston Housing Land Trust
 Kristine Rompa, Senior Local Government Affairs Representative, PSE
 Mackenzie Winchel, HES Program Manager, Earth Advantage

Key Points:

General

- Land trusts are unique, and considered as developers not “homeowners” and cannot access some incentives. It is a confusing landscape for new initiatives like the Thurston County Land Trust to figure out how to improve home performance for their buyers pre-sale.
- There is question about renters and creating incentive for landlords.
- Transaction timing is a legitimate concern. Requirements should be put in place for those vendors agreeing to provide scores to conduct quick turnaround times, and contingencies should be in place in case the timeline isn’t going to work.

- Workforce – need to create a training plan to ensure there is enough trained workforce 3-6 months ahead.
- PSE energy assessment and upgrade programs should be engaged to provide input and participation.
- In Portland, data shows that homes with HES are 10 times more likely to access utility rebates for improvements.
- The home sale process is already fraught with cost, bureaucracy, and emotion. This process needs to not add red tape and be part of existing processes such that it's an insignificant effort.

Program Administration

- Starting with an education phase and moving into compliance is wise, rather than starting with "a hammer."
- Ensure administrative rules and processes are clear and simple.
- Oregon systems allow real estate agents to go into MLS and bring information from HES scoring tool into MLS. Need to think through this process in Thurston. May need to do outreach to assist in the process. Technology is important – what is being used to generate the score, store the score, and connect it to systems like MLS?