

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
 - 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.
 - There is general confusion about the HES and the Home Energy Rating System (HERS, used in new construction primarily).
 - 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.**
 - Energy is currently part of the home inspection discussion, but not front and center because there are so many other competing, higher-priority issues.
 - This is more of an educational and informational opportunity than opportunity to directly influence upgrades at time of listing.
 - Thurston County doesn't have low income purchasing, it's too unaffordable.
- Administration of HES Program:
 - **Should be separate from real estate agents to create third party neutrality to scoring. Real estate agents also do not want associated liability. Also note 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.
 - 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 program creates 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 QR code to 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 cost.
- 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.
 - 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 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 agent 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?

Notes:

Focus Group 1

Garen does HERS scores and Built Green.

1. General Questions?
2. Assessment Type Topic: Are you familiar with the US DOE HES?
 - Garen: Energy Trust of Oregon uses this as an income producing. \$25 of every audit went to energy trust to maintain the system. He saw that almost every realtor decided to get certified as well as part of their service.
 - Kim: Inspections are usually separate from the realtors, a third party on purpose. New requirements tied to time of sale, realtors are against because its more cost to the seller. What about off-market sales? Sellers disclosure statement like septic inspection. Only 150-300 bucks and its great to connect homeowners to figure out how to make their homes more efficient. A lot of their life is driven by the appraisal process, they don't see that appraisers are willing to give value to a more efficient home. There has to be a way to assign value to a more efficient home so the lender will write the loan for the buyer. Also, liability with what is disclosed.
 - Polly: I wouldn't want that liability on a score, that's not her forte.
 - Garen: There is no liability, its such a subjective thing. [...] There are probably 5-6 energy rating companies in Portland area when this was produced, nearly 300 people wanting to get into this business but didn't have the expertise in how to do in-depth audits. If you've got someone that skilled, its hard to get their (50-75 bucks an hour 3 hours to do the job), its hard to provide at a good cost. When a homeowner got the score, they would not necessarily make improvements nor pay for the scoring to update with improvement.
 - Polly: It depends on the client if this would be valuable. If there is a seller unwilling to improve any of the findings, who is holding them accountable?
 - Kim: A home inspection process the seller may not perform any of the items the buyer wants, but the buyer has more information about what they're purchasing and create a plan. A different demographic of buyer will be interested in this. There is liability, if a homeowner makes a statement about something and its found later there is a different finding there can be issues. She thinks there is a lot of confusion between HES and HERS, but it is usually done in new homes.
 - Dwayne: Has been hearing about this for a couple of years, and it died off. Where is the value, how do we turn this? Where is the education for the seller or the possible buyer, and where are the incentives? He is surprised to hear it come back up. He is the

President of local building inspectors association, hasn't heard anything about this for years. Has there been any place where this has taken off and worked?

- Garen: How much value would there be if you're only spending 45 minutes on an inspection? Concerned that companies doing this would do poor quality, surface level – no blower door, no crawl space, no r-value inspection.
- Dwayne: Where is the education? Need to provide information on incentives.
- Polly: not in favor of it, if you find something that is old you need to do a home warranty and maybe the buyer doesn't have the finances to fix things. This is more of a government run money maker. The buyer is going to have an inspection anyways. She gets you want the best for all parties, but you would hope that the owner would be upkeeping the home. Weigh what the benefits are for that home or those clients.
- Anya: Struggling to find out why we would do this. If there was a demand, inspectors would see that in demand for his services. Part of their conversations with their clients is energy, yes, but also shiny nice things that buyers want in their homes. When they get to the table of negotiations and buyers want certain things, sellers can refuse. Why are we asking the seller to take on more costs to just have a number associated with their home so the buyer has more opportunity to negotiate. Requiring the seller to pay for something that mostly benefits the buyer. Does it really benefit the buyer?
- Dwayne: Years ago the County did a \$99 audit on existing home, not part of a transaction. The seller could make improvements and the buyer could still walk. Why wouldn't we use an entity to target existing people? When we did the \$99 audit, how did that work for you guys?
- Garen: it was a subsidy, cities paid a portion for that. For a while some of the jurisdictions were using City staff.
- Dwayne: do they have any data?
- Kim: that's why they suggested this, we don't have any data, and the built environment is a large emitter. Why is it part of the real estate transaction? Why not go neighborhood by neighborhood to educate. We keep missing the forest for the trees, most of the time its the air flow its the gaps, insulation, etc. Target neighborhoods at a certain age, especially if neighborhoods were built at a certain time. Educate groups of people.
- Garen: the one good thing that it does it increases the visibility and importance of this. If it shows up on your listing, people start realizing this is important. Any European city real estate says the cost of heating and cooling per year.
- There is no way right now to get operation costs, you can request it from PSE and they wont give it and the occupant behavior impacts that.

- Kim: We just need to get started somewhere.
- Anya: I think that there is value in this, she did an energy audit herself because she felt it was important and valuable. But if she was in the midst of buying a home (costs, emotions, etc) this may not be the most important thing – but when not involved in that it could have more weight. Maybe in America we're a little flashy and we value the backslash more, than European energy value disclosure.
- Dwayne: What if this was done in existing homes and it could be a selling point – you have to have the consumer that wants to upgrade the house to increase the score. It's got to be a good homeowner. During a transaction, its too much going on.
- Summary: the valuation of energy improvement, the incorporation of HES or eval during the transaction process because of the noise. Equity issues related to lower income clients.
- Garen: Last year helped a friend homebuying process in Portland, looked at 50 homes, every one had HES, she never brought it up it was not part of her decision. Anecdote of one person. He asked realtors, how many people are paying attention to this.
- Kim: It ends up being like the seller disclosure statement in WA, or the Thurston County time of transfer. She agrees we need a database to not have failing systems. Real estate transactions are much more miserable than they used to be. There isn't much time to do all this discovery. Austin succeeded too, because the score and the outcome of the score then ties the homeowners to the resources and connected with contractors, and an allotment per property to help with improvements.
- Polly: Did they incentivize the people of Austin to do this?
- Kim: They had approved contractors and oversight. The government organized it but independent companies supported it. Its not always about capitalism and money, we have a planet.
- Polly: But then people are paycheck to paycheck
- Kim: lots of young people will buy a smaller home to have a smaller footprint
- Polly: if this was done community to community would it work better?
- Kim: Yes, and connect them to the resources.
- Polly: doesn't feel like its being shoved through their throat.
- Dwayne: the timeframe of getting contractors to do work within the transaction time also is difficult, it ends up being the homebuyer who makes the changes.
- Garen: what about making it part of the inspection process?

- Kim: its optional
 - Dwayne: we do a limited score, but we don't even send the energy report out until 5 – 6 days after we do the inspection. They explain that this is future, down the road stuff for the buyer. Most people who buy into that care about carbon, etc. Younger people do this, but they lay it out later after they do the negotiation for the sale, but they still give them a punch list. Its not a negotiable report, its a FYI.
 - Garen: wonder how useful if the inspection is done on a non-windy day, that only gets caught if they do a blower door test.
 - Dwayne: there are a lot of emotions involved in a sale.
 - Anya: if its part of the inspection, its a buyer cost not a seller cost. But then the murky waters the seller doesn't get to see the inspection anymore. How do we work through the negotiations if only one party has the number. I do think this is important, but I'm struggling with how we would attach it to an already challenging situation.
 - Dwayne: buyers and sellers get their heads wrapped around the silliest things. I didn't see a reason to have their heads spin around something that is basically irrelevant.
 - Garen: would finding mold in the crawlspace be as important as no insulation in the attic or walls?
 - Kim: health issue and air quality, and that is the trigger for some remediation.
 - Garen: he has inspected homes that pass the inspection and then a month later found that ducts were disconnected in the attic and weren't heating. A comprehensive HES (too little), HERS is too far. HES is lipstick on a pig.
 - Dwayne: timing of safety and health issues.
 - Kim: One of the brokers in her office, she had a duplex and the furnaces were failing (gas), Capitol sheet metal came in and knew everything about the rebates and taught the homeowner for the tenants about electrification. They did the math for her what the benefit would be for her tenants, and brought the cost down to a reasonable level. Capitol sheet metal chose to be an expert.
 - Dwayne: you go to the existing homeowner. Target them, homes 15 years or older.
 - Kim: Or with pulling permits for new construction or remodel.
3. Discuss the impact of occupancy and operation.

- Anya: I don't think we have low income purchasing in Thurston County based on our prices. They can't afford to buy in this market. The home inspectors do a really good job of educating clients, like a wall heater could be challenging on a pocketbook.
- Garen: I put my duplex HERS score on the zillow rental listing, both tenants said I'm choosing this because I know my utility bills will be lower with you than if I went to the duplex down the street. Got faster turnaround on vacancies because got people who were looking for that and came to him for that.
- Dwayne: See the listing and see average payment, people are willing to disclose that. I don't see what the issue is for an average utility price.
- Polly: I've had clients asked to find what the utilities are per month and they've done it. There is a way to get it, and then it just goes back to what their budget is set for.

4. Energy Performance Reporting slide

- Polly: the usefulness of the information would depend on the buyer.
 - Kim: depends on education and communication. How do we create a desire for buyers to see this?
 - Anya: I think it would be beneficial. We have more inventory than we have had in the past, but we still lack. If I show waterfront and we've been looking for a year and meets all the needs but the score sucks, the buyer would buy it and figure out how to fix that at a later date.
 - Garen: I would concur, and with new construction model as well.
 - Kim: I did an experiment. I worked hard to build a green home and she did an appraisal done, and the appraisal wanted to do the appraisal so he could see the house. \$300,000 worth of improvements made into the design – no attic, no crawlspace, extra rigid foam, but there was no way for him to give value to that.
 - Garen: did you rater give the energy addendum? Not much bump in value? I got a \$90k increase in mine. Aren't all appraisers being trained on the green energy addendum. Every house we do, we give the addendum.
 - Stacy – its used to standardize anything green for appraisal. It comes back to valuation and investments in a property and how they're valued by appraisers.
- #### 5. Energy Performance Disclosure slide – are the results of a HES something you would discuss with clients or would it be incidental?
- Kim: I would discuss it with clients, especially first time homebuyers because they don't understand the holding costs.

- Garen: How much are Energy Spark mortgages used in our County? That would be a huge thing, it would be a brilliant. 1 point reduction.
- Pamela – you would need to have the HES at time of listing if you want to use this lending opportunity, if it didn't exist when you come to the table it would be too late with the timing of sales
- *none of the realtors knew about the Energy Spark mortgage program
- *there was a visible a-ha moment for realtors

6. Compliance

- Garen: Question – brand new house, low hers score, does not require HES score be disclosed if it was. Would that cause conflict in how a home is listed in MLS if it had a HERS score and didn't have to give a HES score.
- Kim: that's confusing that its opposite with HES and HERS
- Garen: Another conflict would be a brand new house that doesn't get a high performance home standard but is meeting recent state energy code which is very high in WA. What HES does it come as a default? What reporting and disclosure comes from a 2021 code house? Can it just come defaulted?
- Garen: How would it have any weight if its not mandatory?
- Polly: There is no accountability.
- Kim: if you have more money you can hire an attorney and fight stuff. Fine high. People wealthy enough don't care about the fines.
- Anya: Voluntary doesn't exist to me. Who is going to volunteer to spend more money on something that is typically expensive.
- Dwayne: Why would we try mandatory since we don't even enforce what is out there now?
- Kim: Current practices make compliance a joke.
- Dwayne: its a whole state issue – accountability.
- Kim: the administration of a fine system probably costs \$180 to collect when the fine is \$100. What a full time FTE is? What if all that money was spend on education.
- Garen: I've had lots of these conversations with Code officers. Energy code is not being applied as a code across the state. They look at their job to protect health and safety – they're looking at issues that could harm someone. The fact that there is a code out

there that can save the state 0.5% in electricity usage statewide is not as important to them as health and safety. I can't argue with their point.

- Garen: If this happens, I would advocate for there to be a countywide database stored and that be mandatory. Whoever inspects these homes needs to keep a database of the scores and addresses, so we can look in 5 years to see if we're doing any better.
- Dwayne: This has been around forever, but there isn't data on the system.

7. Low-Income Subsidization

- Anya: More information is always better. Who is providing that information and that follow up to their questions? Is it realtors is it inspectors? Who will give that information?
- Kim: Who do they go to for that expert advice? We are not the experts on this.
- Polly: I wouldn't feel comfortable to give that information.
- Kim: We have to get started somewhere. I have a sense of urgency about climate change. We need to put cooling in for tenants, how do we modify our infrastructure for storms?
- Stacy – if the collaborative could provide that information, would that help?
- Polly: Sure, that's more information that you're able to provide to your client. I'd rather go to a third-party vendor who has that as their forte.
- Kim: Way fewer than half of real estate sales are brokers anymore, there is a difference between who does this. There is a diverse level of skill in our industry. That's why we defer to experts and referrals.
- Garen: I look at it as an educational thing for the seller completely. I will never sell another home without having an inspector come in and tell me what the buyer's inspector will find. I'd do the same thing with an energy rater. As a seller, you rely on the realtors to give you expertise, and they could give that information.
- Polly: is most of your work up north?
- Garen: tacoma, seattle, portland, vancouver. We've done a lot of audits on normal residential properties.
- Kim: Buyer pays for inspection but forms are very clear that we don't disclose what we find on the inspection. We end up not providing – once seller knows condition of the home they can't un-know that there is something large failing – and we all think you'd share that information but if there is financial hardship it doesn't get shared.
- Dwayne: what about that changed with the whole disclosure?

- Anya: litigation

8. Regional Coordination

- Garen: No, they should not create a countywide policy to implement this on a countywide process. HES is doing to cause more confusion than implement its goals. I did 2 of these, and I won't do anymore. Its not a profitable line of business and it doesn't help the buyer or the seller.
- Kim: Its really difficult to explain if there is a different score or practice. If something does happen, its better if its the same in all the jurisdictions.
- Garen: Do you have 1 utility?
- Dwayne: If everyone is doing something different, it would be a mess.
- Garen: if you're doing it, do it regionally. If you're going to implement a bad program, do it consistently.
- Polly: it should be all equal and across the board.

9. Anything else?

- Garen: Id like to hear more about Energize Thurston.

Focus Group 2

1. Assessment Type

- Jessie: Is this creating something new or is it similar to HERS rating, and does it create a market where it disrupts that pipeline – like a homeowner moving to a better house, but I want to sell my house is it going to block me from selling my house? How would this impact that pipeline?

2. Experience with home energy performance

- Nate: As a home inspector we don't do much at all with energy performance, looking for damages or existing situations. Nate does the basics well, but some inspectors have add-ons and do thermo-imaging and will charge extra to look at a home's insulation values and make some assessments, but generally its not done for normal home inspection. Customers do not ask about energy performance or climate. Intrigued by energy assessments of homes for energy to be an attractive feature as part of home-buying.
- Ben: Looking at it from a different angle, we've been partnered with Olympia for Energize Olympia and we do do some minor efficiency work. We haven't looked at ratings yet. This year they have about 1 Million in grants for home repairs. We also build the new homes energy efficient, funded by grants, ESDS and things. Homeowners opt into tracking and get a \$50 gift certificate – they can either show bills or get a tracker installed in their equipment. Evergreen Sustainable Development Standard.
- Mark: Its not an elective process, its driven by the energy code. We do a lot of stuff we don't want to do and it doesn't make sense and it adds a lot of cost. We do stuff like solar panels, and we don't have sun. Getting to meet energy code is really hard, we have to try new products that haven't been tested well, you don't know what problems you'll run into. A hidden cost goes directly to homeowner, there are groups out there doing home assessments based on the energy but that goes into appraisals. The energy score rating increases the cost of the house, the cost savings in energy gets rolled into the cost of the house. A house you could sell for 690 sells for 717k – the cost goes back to the consumer, and that market price raises other home prices.
- Kevin: I'm around building inspectors and building official and they're always dealing with energy credits for new housing, that puts a strain on some developers.
- Ben and Mark: the new energy cost is expensive.
- Jessie: Over the past 10 years the cost to meet energy code has gone up ~\$100,000 The last code cycle 14-20k, code cycle before 10-15k.
- Mark: Solar doesn't make sense here, but its a way to meet energy code here.

3. Compliance Slide

- Mark: That feels a bit inverted because the homes that need the most improvements are not included.
- Jessie: My thoughts are around the new building code, we're at least 2 code cycles ahead of the rest of the country. People may see as doubling down on these requirements when they're already meeting new energy codes. Might affect the sale of the home. Maybe up to 4 years ago homes built might be exempt as well.
- Mark: All new homes in WA are EnergyStar certified because of the energy code. Getting an additional rating doesn't make sense in WA.
- Nate: Would Energy Star work for the high efficiency standard requirement?
- Jessie: in theory the new builds would have a higher score because of the energy code?
- Ben: Since we built to the ESDS, its actually higher than the state code. We get a third part analyst who comes and certifies the homes to meet those standards.

4. LMI buyers

- Jessie: I wouldn't say there are no low income homebuyers, they might just not think that they can. Low income buyers may just not be buyers because they don't think they can. I've been poor enough to have to scrape for change in the ashtray to get gas, I get it, if you don't know you can afford it you think you can't. This ordinance might increase the upfront home cost, but people are concerned about the upfront cost even if there is cost savings over time.
- Nate: they just want home ownership.
- Jessie: Poor people don't seek rebates.
- Ben: Our average household we serve between 80-130% AMI, we have a waitlist of 500 families in Thurston County. We just had one homeowner drop out because they got higher income, for that one house we have 50 applicants.
- Ben: I think the impact would come to LMI homeowners currently and going to sell their house and getting a decent price to make it affordable to move on. With the energy program with City of Olympia, we saw a lot of homeowners who have been in the home for a long time and they don't have heat or cooling, its an old housing stock. Would a HES score affect their ability to sell their home if it was a low score. We have a large older population now transitioning to moving out of WA because of affordability, might be a less favorable house for someone to come in and purchase.

5. Education with Score

- Nate: its a great conversation and a real conversation, to have information that would help improve that homes' performance. During an inspection, sure, if I had the

knowledge to communicate what the score means and what I'm seeing everyday then refer to specialists. A score would add an interesting conversation – information is power and its important.

- Ben: Commerce puts out a lot of funding for nonprofits to do webinars, and education across the state. We got SEEK funding to energize. There is funding to facilitate the right educational pieces.
- Mark: Target group is current homeowners, not new builders.
- Nate: for remodelers, yes

6. Transaction

- Mark: the seller makes the improvements to try to cash out on more money. I did this, added insulation. It was 5k improvement and I got 20k more out of the sale.
- Nate: my gut says 10% or less of sellers might be savvy enough, with conversations with real estate, they might have that conversation and make some improvements to get ready for sale. 10% maybe would put money into the improvements might cause the value of the home to increase. 10% would be fairly substantive.
- Ben: I see this as a potential hinderance, they don't want anything that is going to affect the transaction. Might drop the value of the home because there are obvious needs for retrofits, or the cost of retrofits decreases profit for seller.

7. Energy Performance Reporting

- Jessie: the incentive information could be useful, but it depends, LMI people are not seeking rebates, but if it was built in somehow
- Ben: going through this, for nonprofit, this is beneficial I can go to grants to help these people.
- Ben: Energy spark helps the seller be less burdened if the buyer could roll that into the mortgage.
- Jessie: people need to know that program is there.

8. Implementation of upgrades

- Nate: the home improvement specialists, but where do they go to get the money to do some special loans for this? The resources you go to the weatherization specialists, remodeling, etc
- Jessie: Go to omb.org there is a business directory for everything you can think of associated with the building industry. We do have tons of members with experience with energy efficiency, mostly self-selected.

- Kevin: we don't give recommendations from the city as that could show favoritism.
- Jessie: LNI website to check a constructor's background, but outside of that no vetting on energy professionals
- Ben: King County and nonprofits that are in the educational aspect of energy efficiency, but we haven't applied for those grants locally
- Jessie: City of Olympia has a good program to learn about incentives.

9. Regional

- Jessie: it could be good, smart people will replicate what was done right first. Olympia has a good program, model after energize. Do the things that are already working.
- Ben: They are, with Energize Thurston. Our educational program for group purchase is attracting people from all over the county.
- Nate: Energy is not part of the conversation. The simple you've got old windows, versus updating windows, do your own cost benefit. If you've got an older furnace, suggest they do cost analysis and talk to specialists. We have those general conversations about the homes as we're inspecting them. I have folks that I know and refer as specialists.

10. Disclosed

- Nate: probably going to have some grumbling of sellers and their real estate agents for the first few years as they're getting used to it. This is going to detract from potential market price and during inspections they will have to have that discussion.
- Kevin: I could see people trying to sell their homes before this is implemented if their home is older and they think it could affect the price.
- Jessie: do they buy again here or do they move out? At the point of sale is where its going to impact people. There may be a rush to sell and move on. The ones that haven't done the upgrades will lose out because they're competing with those that had.
- Ben: Our buyers buy the home for 30% of their monthly income no matter what.
- Mark: I've done 400 walk throughs, nobody ever costs about the cost of electricity, sometimes they ask about how much the solar panels will produce.

11. Valuation

- Mark: Depends on what level of people are buying a home. If you can spend 1,800 a month on a house, you only have so many to choose from. If you can't afford the 7 score it doesn't matter.
- Nate: How would appraisers calculate that into their values?

- Jessie: I believe a VA appraiser would.
- Ben: I can see a VA appraiser saying it has to be a 7 or higher.
- Ben: I more worry about what underwriters are going to think. If a home is below a 5 are they going to think its too scary to underwrite the mortgage.
- Nate: thats scary. That would be the worst case scenario for me, to be denying loans for the process of buying a home because the underwriter builds it into their process and formula – I would not like to see that.
- Ben: especially as the state gets stricter and stricter in energy codes.
- Mark: those manufactured homes are starting to look pretty good.
- Nate: would this affect appraisals. An area of old homes might go down if buyers are choosing better scored homes, because appraisers are using comps in that area. Probably a small effect, unless the appraisers had standards to use the rating as part of their valuation then it would be a more direct impact to the home value.
- Nate: information is valuable and the information is cool, I'm excited about the idea of having that information but anything that makes homeownership more expensive or less attainable, anything that is a requirement from government to implement you have to – that's a bad taste in people's mouths.

12. Other

- Ben: we're moving closer to building passive houses, there is a program called VS that does educational webinars and they have passive house education. That would be a resource they would give. Its accessible for the layman. PHI – passive house institute.
- Nate: a trifold brochure explaining what the energy score is with a QR code. Nice talking point during the transactions.
- Mark: its usually a cost analysis the highest value at the lowest price
- Jessie: most of our audience are builders, but he gets phone calls all the time. They put out a magazine, emails, and articles on housing industry to the public. I could see us doing a page on the website with all the educational resources, we do classes at the office on a variety of things. If we had a contact that is very knowledgeable we'd have them come teach a class.
- Ben: We're working towards being HUD certified to train, I see that as a component. HUD training for the public.
- Kevin: I'm from Puyallup, the first thing I did was get a real estate agent that a co-worker recommended.

- Nate: research and find a good agent to start with and do interviews to vet the agent
- Jessie: get the agent first, but I've done redfin in the past
- Mark: energy code changes every 3 years. If you look at a home 30 years ago its wildly different from 10 years ago and then from 10 years ago to now.
- Jessie: if you're looking for a specific, early 2000s is when they started ramping up energy code. Before that, in the 1990s, they had a NW Energy Star. Basic home is the highest rated in the rest of the country.
- Jessie: Maybe if you're the average customer they would assume that newer homes are built to a higher standard and the older ones are not, maybe the energy score would prompt them to buy an older home if it had a higher score.
- Mark: if your energy bill would be \$200 a month, its only getting a % with each energy code, you can only improve so much. Blower door tests, all mine come in as 2, but it used to be 4. Would that be saving someone 2 dollars a month? The benefit is the last 2 code cycles put heat pumps on the houses, before that no heat pumps. In this next one, having hot water supply within a distance.
- Jessie: Mandated heat pumps in 2020 cycle, but you essentially had to put in at 2018. Heat pumps are mandated in new construction but you can have a gas backup, but you can't have it as a primary. The gas backup is a negative for energy equalization credits. 2021 is when it was mandated. Thats the thing now, builders are now building to chase credits, which is why it started earlier than the 2021 mandate.
- Mark: a credit is about \$9,000.
- Ben: we've been doing heat pumps for the last decade, now we do ducted in every room.
- Jessie: When we were looking in 2014 we were seeing homes with more heat pumps.
- Kevin: I am the only code enforcement officer for the City of Lacey, there is nothing in the code that says that they have to, this would greatly increase my work. I don't have a lot of experience with energy code, most of the time I'm dealing with people if their house is habitable or not, not worried about energy efficiency. Conversations between building inspectors, building officials. We would have to have someone that one of their main focuses is to look at listings to determine who is out of compliance. I don't have time to be proactive in enforcement, I mostly deal with complaints. Olympia has 4 code officers.
- Jessie: valid point with the staffing. In our industry we're seeing jurisdictions don't have the staff to keep up with what is happening. That means requiring more FTEs, which is

more funding and building departments are usually funded by permits, etc., which means increasing the cost of housing.

- Nate: I wish there was another way to gain compliance to this versus enforcement and adding cost to municipalities and having that negative, if there was a better way to achieve the result without the negative and the cost.
- Kevin: if you had an expert, I'm the guy who deals with people who have roosters at their house, if you had someone who is a climate type person who is doing enforcement that would be good
- Ben: say this takes off and we have an older housing stock in an older area of time and they're all trying to be a 10 and then PSE is doing calculations on what the grid can handle?
- Nate: well efficiency would be less energy
- Jessie: IBEW may be a decade out from the staff and infrastructure to be able to support electrification.
- Nate: fine the gate, find the other way
- Mark: the irony is that fee could be charged up front if the realtor is held accountable.
- Ben: what if it was more tied to signing with the mortgage, take it out of escrow if they didn't pay it
- Kevin: or something would be flagged. I've been there 4 years and I can't say when we've issued a fine. We do a criminal complaint and that goes through the attorney for a lien on the house. Half the time the attorneys don't prosecute what I want them to. It would have to be very clear as to who is handling that.
- Nate: there is a way to do it without municipal enforcement. How many homes are sold on MLS with realtors vs outside of that.
- Kevin: I think you'd want more getting to comply if it affects the price rather than a fine.
- Nate: At closing, flag if there is no energy score, the seller needs to reserve \$300 to pay for that score.
- Ben: if it goes through escrow, there is a lot of downpayment assistance for those who are in the lower income area, that fee could be written into that. Write it into the rules.
- Jessie: anything you can do to – homeowners feel there is a lot of punitive
- Kevin: that would be better

- Mark: even if you're a homeowner on redfin, you can't list it. You'd have to have someone registered as a certified scorer to make sure the information was accurate.
- Nate: puget sound energy, we pay them a lot of money, do they not want to participate and don't they want to lower their impact for environmental and decrease stress on the grid. Shouldn't they want this.
- Mark: everything they do seems to be opposite to this.
- Jessie: everything they've pushed puts the burden on the homeowner.
- Mark: the next two plats we're developing we're not putting in new gas, so that makes more stress on the grid. Now if you want to put gas in on a housing project you're looking at \$7k to put that in.
- Jessie: that also might be a question to bring to the UTC.
- Nate: awful frustrating from his standpoint, he invested in solar on one of his houses, I wish I wouldn't have thrown that dart at it because questioning if that was a good investment or not. I can't get ahold of anyone from PSE to help me look at my property where they had to review and approve this solar system, they just keep sending me bills.
- Nate: it would be cool to see a 2 rating and an 8 rating and see the energy cost and see 50 homes in that 2 category to compare.
- Jessie: make the incentives obvious, poor people aren't looking for rebates.
- Mark: try to go from bottom up for incentives. When you're at that spectrum it is harder to find stuff. I remodeled my house, its was from the 1970s, it was harder to remodel for energy very little insulation, just the envelope the bills went down 50%, I offset those costs in 6-7 years. The solar panels you get negative money a month, on that end, it goes to the illogical side of things. Encourage from the low end – on the improvement side of stuff – building envelope, ductwork, replacing windows. Those are relatively low costs that make a huge improvement to the house.
- Jessie: on the cost of housing I recommend going to not just the NAHB, OMB, and BIAW on how these programs are impacting the cost. For every 1k cost added to a home you're pricing out 42 WA families.
- Ben: at title when you set other pathways for MLS, even if you're owner financing you have to go to title.

Focus Group 3

1. Assessment Type

- Dietrich: we have a little bit. Our energy spark program when it launched it used HERS report as the criteria for the program, we have since then added HES as a method instead of a full HERS report. The cost of the HERS was doubled for HES and we felt that this DOE method seemed to still get us to a good place.
- Doug: I'm thinking about how you're framing this and I'm trying to find a comparable. Energy rating on appliances, I will look to see what its energy rating or estimated cost is. Same thing with mileage on a vehicle. Manufacturers in those cases gives a rating of efficiency at time of purchase, and once I buy it I'm done with it. I'm a typical homeowner. I've never gone back to see if the energy efficiency was equal to the claim, the closest I come is Mpg on a car, because its also reoccurring. As I look at how we do this, the closest analogy is tailpipe emissions in some communities you need to have your emissions checked on your car before you renew your license. I suspect most wouldn't have it checked except now the license renewal is contingent upon checking that box. Its information for the consumer in advance of a purchase and then as a regulatory standpoint a thing you got to do to get the thing you really want.

2. Compliance

- Dietrich: if its not mandatory its not going to happen. The real estate transaction is one largely driven by brokers and mortgage lender. They want the most simple a to b. Adding an additional item generally is optional will mean it will not happen. We've had energy spark in place for 7 or 8 years, if borrowers use their program to buy a home they get a ¼ lower interest rate on their first mortgage, if its new construction it needs to exceed WA energy code by 15%, for existing homes we have folks go through a retrofit with a HERS or HES rater and figure out the energy use of the home and come up with improvements to increase efficiency at least 10% or more, it usually only happens if there is a really zealous homebuyer and the market isnt' too hot or heavy. Brokers will steer people away from anything that makes a deal more complicated. Since 1993, if you were doing a FHA or VA loan, you always had the option of an energy efficient mortgage. There is a great white paper about the EEM. If you go to your mortgage lenders to ask for it on your loan, they will scratch their heads but they wont do it because it adds extra process. Because of several factors, its probably because real estate brokers don't want added complications. Many contractors might also not beat down the door for 10k worth of work to do improvements. It you want a program that has a bite to it in the marketplace, it has to be mandatory.
- Doug: I think it depends on what you do with it. If part of the condition is that you have full disclosure to the buyer that might be ok. But I think for initial implementation people will hate it because we don't sell homes that often. When I decide to sell a

house, I typically have a timeframe in which I need to complete the deal, and this is one more thing that stands in the way of relocating. The infrequency by which we do this combined with the barrier to the ultimate outcome creates discontent and the realtors will blame someone. But then the question is what happens once you get the score. If now the buyer can leverage it to ask for improvements similar to a home inspector, now there will be even more pushback because now you're taking money out of the sale. It depends on the size of the gig now, if its 1k of small work, it will slow down the process to get a contactor, and do we even have this workforce to do this work? I don't know what the remedy is during the transaction period. Imagine buying a heat pump and now you the purchaser have to use it before you can use it – similar to energy star ratings being done by manufacturer. What to do the score other than buyer beware. Another pushback is what part of private don't we get? Its a private sale of a private asset. Now the government is assessing my private asset and influence that in my private transaction. Encroachment needs to be addressed.

- Nate: I think the HES is a piece of garbage, because it is so watered down it means nothing. Our program gets funding from DOE, utility, state, etc. The program started under DOE 50 years ago, the legacy of that, everything we do is required to be justified based on savings to investment ratio. 40 years ago they realized all the . We're home performance more so than energy efficiency. Indoor air quality, health and safety of the inhabitants, and energy efficiency comes with that. DOE makes us justify air sealing, etc. on if it pays back in kw savings. This number will mean nothing to people. Energy savings is not where you, until we tax carbon, energy savings doesn't cover the cost to make these improvements. There are a lot of good reasons to do this, but HES doesn't do enough to get us there.
- Dietrich: Isn't HES the scale of 1-10. Its based on local comparison.
- Nate: Yes, there are smart people who put it together and I'm sure it works in some context. I just know the more they try to simplify the utility programs to justify the energy savings, but its not a simple calculus, its just not. You can look at it and see that its not energy efficient but also see people living in it are suffering poor indoor air quality. Then what can you do after that. You can't get a contractor to make the house better. Our whole building industry is specializes and there are incentives to do all the wrong things.
- Doug: I like the idea of it being owner driven. Part of the reality of selling a home is I clean the carpet and mow the lawn before it goes on the market, but I might not do that he first 10 years I live there. How do you do a good job of having existing homeowners do these improvements without associating it with a timeline. How do I game this? How do I get the highest score with the lowest effort. Like gaming LEED. If I were selling a home that needed to have this, if I need to have a higher score I'm going to find the cheapest, easiest, fastest way to increase my score.

- Doug: I would just not list the home to avoid the process, for sale by owner. The key thing here is the listing. The challenge here is realtors get ongoing education as part of their licensing renewal and it's done at the state level, so now you have a one-off. Thurston County realtors would have to take a special class, buyers would need a special notification. Who is going to do that?
- Dietrich: speak with local MLS they would be a good partner, they do classes. They would be the only source point. The MPG was a great analogy, you as the consumer can measure it. That's the great thing about MPG is that you can have confidence in it. The only measurable result that the homeowner has that is palpable to them, is their energy bill. I like what I see on PSE's bill where they show you your energy usage this month and same time last year and difference in average temperature, so you as a consumer can confidently go I put in 3k of insulation it looks like my energy use is down as a result. You can have confidence as a consumer rather than feel like government is making you do something that is good for you. If the homeowner can't measure that themselves, some work needs to be done. Consumers don't normally know how to make their homes more efficient. I do training each month and I ask folks what the most effective energy efficient improvements – I hear windows and solar – but those are the most expensive. It's the insulation, the furnace, cracks, air sealing. There is an awareness campaign that will help your cause overall is by helping consumers know the cause and effect and getting to an efficient place so that they're on board with it. It's a good endeavor and cause but not everyone understands the details, consumer education campaign ongoing and then having something measurable with the energy companies so they can see that their bills are lower. Make it clear – cause and effect.
- Doug: I agree. It's a consumer lifestyle. The challenge at making it at the point of sale is that that's not a lifestyle, it's part of a transaction. It's not transformative, it's just a thing I gotta do that is in my way. It feels like it's an idea written by bureaucrats for what is the easiest way for me to achieve this rather than having more knowledge as homeowners to know what I can do to make my life better.
- Nate: what if you compare this to time of sale for septic systems, that's a good analogy. We don't allow people to dump into Henderson Inlet because of shellfish, we require at time of sale. Maybe now you're not allowed to dump your carbon into the atmosphere.
- Doug: yes like that. If you've ever talked to someone who had to spend 5k to repair the system before they could sell it, they wouldn't say it made their life better. It feels punitive.
- Nate: it doesn't feel better if you're the one holding the bag, but it's for a good reason.
- Doug: there is a slippery slope. If it's just a disclosure so you can know, but maybe later we decide that you need to have a minimum of a 2 before you sell your house. I can

make this a health safety issue. And now I'm trying to influence the market and the market will find a way to compensate and work around it.

- Nate: I think HES gives us something to go off of. Dietrich's point it is a consumer education thing, if someone gets a HES of 3 they're going to get sold a new heat pump system but really the 3 is because the ductwork is disconnected and the heat pump won't work like the energy star label says because stuff isn't working. It is a good place to start and gets the conversation started. I think about time of sale for septic, ive encountered the pain in the butt it is, but its a worthwhile thing. At some point you need to stop that leaking septic system from leaking into the bay.
- Dietrich: I think doing something is better than doing nothing and PSE needs to be a big part of this. Given the data set that Assessors have on homes and what PSE has there is some possibility to look at those data sets to look at homes given age, ft 2, etc to have a list of top energy users in the county. We've always had enforcement that buildings need to be not dangerous and meet codes. Having government step into this role that there is less direct danger but an impact to the community for inefficient homes. Even though its slow to make decisions, you're best enlightening people so you get more people on board on the program. Target most likely inefficient homes, that will get you further in the long haul if you put that baseline work in. Having the HES even if its just everyone has to have a score, but being overt and maybe some day we might say before the home sells it has to be a certain score, but now we're raising awareness. Be direct about it. The problem of the HES in the long haul, it doesn't measure against an objective standard, like WA Energy Code, they're all going to be above the standard but under some mark on HES method. Its not a perfect system but its going to move us forward.
- Doug: If jurisdictions are interested in moving forward, that you place it on the ballot as a referendum. This is a tax by any other name.
- Deitrich: before I'd like to see that, I'd like to see the education so people have an informed choice.
- Doug: If you do this over a period of 1-2 years before its on the ballot, so people can make informed decisions.
- Doug: savy seller is going to build \$150 into my sale. The cost of housing, what is another \$100, 250, 5k dollars and pretty soon the nickels and dimes add up. We're adding to the cost of housing, even though the intent is to draw down the cost of ownership.
- Dietrich: promotion of the cost of ownership, the most you can have a visual means the better off you are. Thats something I can have certainty in, being able to work with PSE to report savings for the households that have gone through this. Id be curious to take lessons from the portland experience to see what lessons is to be learned.

- Doug: I don't think its very useful because its not real time and its not constant and persistent. A better tool would be a meter, similar to mpg in your car, to think about your own health like a smart watch to show you your blood pressure, etc – real time information gets you immediate information. This is a point in time score and its not occurring in real time. If I had to pass a meter every day that said my energy level, I would wonder how to change that. This is why people have scales in their bathroom. Its transactional, not transformational.
 - Nate: that would be something to get the existing owner to make the change, this is a different lever. If we really saw the difference it would be the cost of electric or a gas tax, but consumer education, we're likely to repeal CCA because consumers are getting some information, but its debatable if that information – which groups are loudest and best funded. Might not be in the best collective interest in the long run. The point of putting it on the ballot is that people don't always vote on their best collective long term interest. This does have a useful meter for the buyer to look at, to compare. People won't do stuff unless they have an incentive to do it. Most people will look at energy efficiency payback and wont do it because it doesn't cost enough for it to be a cost savings. Its only 10cent per kwh, so they don't worry about it. These are expensive improvements to be made.
 - PK: If I'm looking at a house the last thing I'm going to look at is a score. I'm not going to not choose this house because of the score because I have other needs to consider. I think with a lot of consumers its not going to be a deal breaker, decision maker. This isnt going to sway my decision. You look at listings and other types of indicators, I don't look at this. As a seller its one more frustrating thing. If the house price raises by 10k, thats a long time before youre cost neutral if the improvements cost 500. Everyhting we see in recent history, information, seatbelts etc. Of course I'm going to raise my house by whatever repair is made, as a seller that would be my requirement. I may already be under a tight budget from moving from house a to house b, 5k could sink that whole transaction and require major life changes.
 - Deitrich: the market is going to have an influence on prices that is bigger than that. As someone who has recently sold 2 homes, there is a lot. Its jut one of the pieces.
 - PK: I look back to CFLs and how much I was supposed to see energy bill go down, and I watched it, same with LEDs, I haven't seen a change in the usage in my power. Why did I invest all that money. Even solar, which I'm glad to have, I'm looking at 20 year payback, thats a long time for payback.
3. Energy performance reporting
- Dietrich: thats all good and useful. I think something that hasn't been talked about, people to tend to decide with their pocketbook but they like to see actual results. I look at it and I don't trust the savings estimate. I trust when I see my bill goes down. There is

an aspect to be added, you need someone in the totality of who is involved in this to be a goal maker. In addition to individual incentive which is necessary, you need to take this on as a community to get over the hurdles. What is our goal for 10 years for now for average household energy use. Make part of that the campaign, so that for those of us who like to be altruistic, we can look at a dashboard that compared to 10 years ago things have improved. We're in the richest country in the world, at the richest time. We're doing magnificent. We don't have it bad, but we can complain about it. Its good to align us to something that is a bit more aligning than just our pocketbooks.

- Nate: it sounds like a good idea if it would work, how do you do that? We have a society right now that is pretty selfish.
- Doug: Community goals are really hard to set. What happens when you achieve it? We have a hard time setting community goals. Our contribution to reducing whatever is not making an impact because of what is occurring in some other country, it seems like a waste of effort, because from a global perspective we're a drop in the bucket. I got other things I need to worry about. It makes us feel better, it compensates for things we've done in the past, but community goals are really hard.
- Deitrich: its the magic, uniting a group around the goal. When you're successful it makes it easier to overcome the hardships.
- Doug: as a community or society we don't think that way in the long term. Large mobilization efforts were about a crisis, win the war and then the war was over, but to reduce and sustain its the sustaining part that is problematic for goal setting. Its a good idea, I think its hard. Still run into the problem of who set that goal. This is one more thing to keep track as a community member – there are so many other things, we have goals about student success, lifestyle, etc it is endless now the things we need to be monitoring but yet obesity is a huge health problem for our youngest resident. We can't get people to eat right let along invest in their home.
- Nate: if we took this, 5 years out this got implemented and was another thing people would need to do, do you really beleive it would be that big of a deal in the transaction. The septic inspection was just something else you need to do, you get the home inspection, probably the home inspector becomes and gets a 50 dollar bump in price to do the energy inspector its not a big deal. If you think about it in those terms it doesn't seem like that big of the deal.
- Doug: valid point. But thats part of our problem.
- Nate: are you suggesting nobody is going to sell homes anymore, thats hyperbole
- Doug: implementation is going to be so critical
- Nate: if it was done right, sorry for the hassle here is why, but it could happen

- PK: I think for some it would prevent a barrier in selling, again if it becomes more of a factor and those additional dollars I need to spend on home score, it could be a specific barrier. Incentives are great but they never fund fully.
- Nate: lets assume its just the home inspection, no requirement to do anything, just for information
- Doug: they leverage it. I want the seller to pay for the repairs
- Nate: In theory, are we against consumers having more information?
- Deitrich: in 5 years no, it would be normalized. Is it too much to ask for? No. In 5 years, would it get you where you want to get to? Would the car have driven to the destination, or only get halfway there? Also have accountability to see if you're getting there. If we're not, adjusting the program.
- Nate: that is a fair program.
- Deitrich: the low hanging fruit, I bet if you look at the full data and did eval, and took the bottom 25% of homes we could really get
- Nate: what are you going to do about it, those poeple can't afford to fix their homes
- Deitrich: there are numbers that could be gained, this would help increase the numbers. Part of delivering this is discovering new things. Be accountable to the goal.
- Doug: I think we could just do it, its more regulation and red tape, and some of this is thinking through the calculus of political capital. I would argue that citizen initiatives that are rollbacks of legislative action, those were all passed signed by government and now but it is costing political capital to sustain this.
- Nate: even though with CCA it was 10 years worth of back and forth between parties. It takes 1 powerful individual to put it out there and all of a sudden 10 years worth of work is undone.
- Doug: that's a political reaction to a political cost. Is it worth it? If your political capital is finite, is this what you want to do? If I need something to happen down the line, how will this effect trust for moving other stuff down? I'd rather be spending 2 hours in a focus group for a balanced calendar in our schools.

4. Data

- Nate: is it, if a house is out of compliance, is that publicly available?
- PK: not easily. FOIA.
- PK: On the board WA Association of Code Enforcement. Majority of cities are complaint driven. You've have to have 1 FTE for this compliance. Cities do not want to do

enforcement. Its icky. He has major cases on the books since 2018 that have measurable data driven negative effects on the community and cities don't want to do the enforcement on it or bring it to court because that enforcement is icky. That would be a huge shift in the way that code compliance is done, its code compliance not code fining. A lot of code enforcement cases are not a neat and tidy 30 day issue. Personally, some cases are 6-7 years and some before that. Average looking at 120+ days, and that is standard. You'd have to have a minimum of FTE for this. Thats a lot of salary and benefits. Some jurisdictions would not be able to afford it. There is no way, personally, that I could fit that in my work schedule, even when I get my 2nd on board that would take up so much of our time its impractical. Would I have the city to start levying fines?

- Nate: What is the mechanism for time of transfer for septic?
- Doug: It might be the lender
- Nate: I'm talking about in certain watersheds there are requirements to have a time of transfer inspection – pumped, inspected, and repairs. With that, the sale could not go through and future sales too. What is the mechanism?
- Deitrich: I hate fines, I like government signoff to move forward. I think its both the lender for underwriting guidelines and the COunty wont record unless they see the green light on their screen. NWMLS could easily trigger adding form. For those small percentage outside of that norm, then you hit the county as not recording the transaction on their end. The end of the day, government always needs to have some sort of finding mechanism for outliers that escape everything else. Use may rather than shall might be prudent.
- Doug: It almost feels like it would be better to create an incentive to participate. I get \$500 if I list the house this way.
- Dietrich: what about the carrot? If you meet some criteria on the home, tax credit on taxes. It gives you an incentive point, and the ability to be more voluntary. Savings is material and measurable. People are happier when they get rewarded for positive behavior.
- Doug: this feels very punitive, you're required to do this. Its easier to sell something when I have an energy score, that's positive, rather than hey you gotta do this.
- Nate: what percentage of sales are not going through a realtor? Or mls?
- Doug: the business of being a realtor is changing rapidly. The recent court cases about how their compensated, calculation around commission and who pays for that. How does this work with the redfin of the world? We're thinking about this very local, but part of the challenge for realtors now is redfin, where everything is done online. You may be creating a program that is too dependent on a single occupation.

- Nate: that sounds like an unlikely thing to happen if local code enforcement is the mechanism
 - PK: I can think of all kinds of barriers to make this unsuccessful, the appetite of local jurisdiction to do serious enforcement is not there. Jurisdictions that have made – other states have proactive code enforcement and it ends up being a nightmare. There are a lot of challenges and a lot of barriers that cities aren't going to want to do that icky thing, especially since there are safety issues not being enforced.
 - Doug: you'd need to have enough inspectors out there, home sales are pretty emotional events, how do I do this? If there aren't enough, there could be a backfire. You don't want to become your permitting department- people hate those because they slow things down. You don't want it to have that impact.
5. Nate: where in the process is this?

Focus Group 4

1. Assessment Type

- Mackenzie: I have a lot of experience with HES, but Home Energy Performance, this is often used on existing homes, folks like to think about their home in terms of what their grade is and what they can do to make them perform better. The list of recommendations is helpful and you can reassess and rescore to see your outcomes moving up the scale. When I think about home performance I think about a homeowner wanting to make a home perform better.
- Kristine: I bought a home 2 years ago and this was not at the forefront. I was looking at price and interest rate. I didn't even ask if it was gas or electric. Wasn't familiar with HES until the collaborative brought this up. I wonder how this is going to help the environment and reduce GHG emissions. Am I really going to say that I want a higher efficient home. From a utility perspective, we're all for it because we have standards to meet. If we don't meet those standards, everybody is going to pay, because we will be censured by the UTC. So we support all efforts by everybody. We used to do home energy audits, it wasn't cost effective, too expensive for the company. I don't know how many people use our online self assessment. We all have to meet that goal. Its been difficult, we've had goals that the company has set for efficiency but we have not met them. Last year we met them for the first time. (not sure of sector or details, suspects overall). PSE has so many incentives, windows, insulation, etc.
- Thea: We're really deeply in this right now, we were just meeting with Community Access Network. I believe most of our tenants are LMI, we want to convert them to

homebuyers. Meanwhile, there is no insulation and the energy costs are ridiculous. I hadn't heard of the HES at all, I love that idea of having a comprehensive idea of what you're looking at when you look at the data. Its not just climate, it also affects the affordability of LMI people to buy those homes. They're going to have to make decisions, and we want to empower that. If it was a reliable number at the time of inspection it would be really useful. \$400 heating bills all baseboard heat. The weatherization, they're going to do a full audit. Its per building.

2. Compliance

- Thea: Ordinance implies regulatory.
- Kristine: What about renters? Will you create a new branch of the collaborative to have the capacity? What if they don't pay? What if they don't do it.
- Mackenzie: Launching a program you need to make sure the cities and the implementation team have an understanding of the administrative rules so you can avoid pitfalls with exemptions and compliance – administrative rules. Setting up systems for something like this, we have systems that connect via API the DOE modeling tool and another software program that speak to each other and we take that information and create reports that are branded and locally focused. For example, jurisdiction boundaries and how to deal with issues applying those boundaries for customer service. Make sure Assessors know where they're required to do assessments and when they're not. Be crystal clear and have well set up systems. Thinking about compliance, as an adopter of this methodology, start compliance with an education lens for the first year or two, not so many hammers right away so people get used to it, and as time goes on starting to issue fines.
- Kristine: Can you appeal if you don't like the score?
- Mackenzie: Yes, go to the quality control team. If there is any dispute it should land in the QA's person's lap. We take 5% of the total scores. Typically we weigh our QA on new assessors, not necessarily random, so we can help mentor to get scores better. Its a really good time to built relationships with real estate community. They're going to need to have a workflow in place to represent the seller. We have a system where the realtor goes into MLS and clicks a button to bring information into the listing. Might need to do some outreach, like webinars, to talk about the process. Developing with regional MLS.
- Kristine: that makes me think about electric load, it would be helpful to know how many home sales we expect on an annual basis because we might need to build new lines to support new loads.
- Thea: the educational number would provide the incentive, the incentive would be to have a more efficient home

3. Energy performance rating

- Mackenzie: it depends on how technology works behind the scenes, and that can be dictated by a MLS agreeing to share the data and setting up an API, those relationships and contracts need to be signed. MLS needs to be willing to play ball. If that happens, then, the real estate agent goes to the home profile and goes to the green profile, clicking a button, addresses match, then it brings in the numeric score and a link to the url to the report. It goes from DOE, then green building registry, then goes to MLS.
- Kristine: Big Brother!
- Thea: the timing I can see would be critical. As a home seller your agent will tell you you have to do things and if one of the things to do is the HES score, you have to do it, have it done, get the data in. I can see resistance to that.

4. Timing

- Mackenzie: Totally legitimate concern. That is a common concern that comes up prior to launch. When the requirements go into place, there will be people who want to be trained to do the work to meet the demand. The turnaround time is pretty quick. The assessors clients are realtors or sellers, and they are aware of the urgency. Usually, its 1 hour to score, takes 15-30 mins to put into modeling software, and then its ready for the listing. A couple days turn around time is average, if there is a technical glitch what we do as an implementer we go to the compliance team and let them know that there is a technical issue to slow down the process so they pause on sending out compliance notices. If everyone is talking together its a short turn around time, and if its not communication helps.
- Mackenzie: In Bend OR 2 July ago we did this. We trained a lot of people very quickly. If we want to be really aware of all the people who do these scores and wants to take a workforce development lens, do outreach to the communities create equity with job opportunities. It takes 3-6 months to get people trained up. Decide what your cap might be in terms of training assessors. For backgrounds, home inspectors, high performance home verifiers, general contractors, entrepreneurs. If you're an energy auditor, that's further down the path of learning and knowledge. This is a step into the industry. The tool automates the recommendation, your job is to collect data on the site.

5. Performance Report

- Kristine: I'd want to know what is the biggest bang for my buck to improve my score
- Thea: especially if you had that up front you could build that into your sale process, ask for things to be improved in negotiation
- Mackenzie: Time of disclosure policies it can go different directions. If you have an assessor, its important to train them on the incentives to make sure they're sharing that.

AND if they're aren't able to communicate that to the homebuyer because they were working on behalf of the seller, for them having it listed what incentives are available. The reports we have have prioritized measures with the best ROI, and then here are the other ones that are priorities of the program are listed below in a more customized recommendation even if its not meeting the ROI. Homebuyers are excited to have that information at a starting point to talk to a contractor and get the work done. Educate assessor market and make sure the report is clear enough.

- Kristine: If I have a question about my report who do I reach out to.
- Mackenzie: the assessor and you'll have their contact information. The homebuyer could link back to the assessor that they didn't work with.
- Thea: we raise funds (private or state and county) to acquire homes and we keep the land, we find subsidies to reduce the overall cost. Our market is 80% or lower AMI, for homeownership which is kinda a high bar. The model is we continue to own the land and buildings, and the homeowners own the improvement. We support them, stewardship is important, like help prevent foreclosure. Something like this would be absolutely helpful in them looking for properties. Renovation and resale, you don't know what you're getting. Existing buildings are in a price we can afford to subsidize. The first one was donated, people are taking less than the fair market value. Or we get a really good deal, it was a decent price and we got a grant from the housing trust fund, the subsidy stays with the property, when they resale they don't get that downpayment back it stays with the house. This really does mean a lot to us.
- Kristine: so I sell, I put in a 15k system, I get that money back?
- Thea: when they sell they get a flat rate of equity on the investment including improvements. They do own it, but they can't flip it for 2x the amount, you get what you put in and percent appreciation plus you get your loan payments and tax write offs. It makes it important that we put people into good houses. We're doing improvements before we enter the program. It would have been very useful to have that going into this. We had a usual inspector and they did not give us this much detail. For people like Homes First, they do rental for low income, they're acquiring the units and they're bearing the cost of utilities.

6. Subsidy

- Thea: if PSE gave homeowners a rebate, they get credit for the energy system they put in. If they sell the home in 2 years they would get most of that back. There is a warranty deed on the land.
- Kristine: I'm wondering if PSE might want to get back into the business of doing it if its going to be required. Everything we do is regulated by the UTC, they could have been the ones who told us the program would cost too much or maybe there were equity

issues I don't know. AS a company we would be supportive of the scores, it could potentially increase our vendors work if they take advantage it could increase the number of incentives we pay out. We have to meet our GHG reduction goals and if we don't we get penalized and every rate payer is going to pay that. But this could add cost to the home and it could be shooting yourself in the foot. From an energy perspective, its a good thing and I can see it spreading quickly.

- Mackenzie: Recently in portland we share data with energy trust of oregon and they do analysis on how the conversion of the homes that get scored vs not. What she considers a finding is that homes within certain timeframes, homes that are getting scored are 10x more likely to follow through with a utility rebate. We're excited to see the start of these findings.
- Kristine: do they track incomes too? Portland is not a poor area.
- Thea: there isn't anything that links weatherization programs with the home except for address.
- Mackenzie: there could be coordination with weatherization agencies. They often have their own modeling system and funding.
- Kristine: someone told me that weatherization saves more than anything else.
- Mackenzie: so far there hasn't been any impact on someone not being able to more forward with a sale. If you're in the green building registry that operates programs with mandatory disclosure, the scores are public.
- Kristine: am I going to have someone knocking on my door to buy a HVAC system because of my score?
- Mackenzie: that hasn't happened so far
- Kristine: they could do that on your build date from the home assessor
- Mackenzie: we haven't heard complaints about this. 2018 was when we launched the Portland program, the market is starting to transform.
- Thea: but looping back if this is an ordinance, that would make it a public

7. Virtual score

- Mackenzie: that would be a US DOE question. Nothing has been approved so far.
- Official vs Unofficial – official has qa/qc, tracked ensured for accuracy. There could be a reality where a virtual score could be done but not official.

8. JBLM

- Kristine: Is JBLM in Thurston county? You wouldn't be able to mandate that for federal land.

9. Mandatory vs Voluntary

- Kristine: people don't like being told what to do, then inflation adds \$300 on the sale of the house. I think it should be mandatory from a PSE program, anything that helps us cut GHG emissions. Rate increases may happen if we don't meet GHG goals.
- Thea: I think people do resist it they don't want more red tape, selling a house is already hard with these things, but it's only one more thing and if it's accessible and not horrendously expensive and if it's bundled in to a service something that has to be done anyway, so it's a flow. Mandatory makes sense, but the education makes sense because it's mandatory to benefit you.
- Kristine: if it's voluntary you're only going to get the elites, the people who afford it.
- Mackenzie: ON the ground, we see programs that do this voluntarily or mandatory. The programs that do it voluntarily there is no demand. High performance home programs, they would be the kind of homes trying to get scores in a voluntary market. It's not going to provide consumer awareness and protection. If you want folks to be aware of this during their buying process, it should be part of every single home.
- Kristine: have you thought about it being a ballot measure? Did folks vote for this in Oregon?
- Mackenzie: Council, unanimous vote.
- Mackenzie: the data has a projected estimate for ghg per home. I'm not sure if energy trust in Oregon tracks that. They have two estimates to compare.
- Kristine: how is it making any difference? We would need a system to track the sale and then any rebates.
- Mackenzie: need an incentive for a post-hes score so if you do all the work then you have that comparison. Energy trust hasn't incentivized that yet.
- Mackenzie: IN OR if you have gotten work done on your home you should get a new one when you sell, but it's hard to track.
- Thea: it also seems like 3,000 is a drop in a bucket.
- Kristine: you eat an elephant one bite at a time.
- Thea: we didn't go through MLS

- Mackenzie: the administrative rules says these are things that are publicly advertized for sale. Its really hard to enforce private sales, I'm sure there are things slipping through the cracks. Title company idea has come through but it han't been done.
- Thea: I'm just wondering in the best of all possible worlds how would this impact me

Home Energy Score Focus Group 9/18/24

Notes are a little all over the place and I wasn't able to track who said what. Anywhere it says "Habitat –" the representative from Habitat said that. "Lacey –" is the City of Lacey code enforcer.

Recommendation 1 General thoughts and feelings. What experience do you have with looking at home energy performance? Do you talk to customers about home energy performance?

If I want to sell my house does this block me from selling my house to then purchase the next one. Potentially making the housing pipeline harder.

Home inspectors don't really talk about energy performance at all. Some inspectors have add ons to do thermal imaging and have add ons.

Do your customers ask about energy performance? They do not. This could potentially be a selling point or decision-making push.

Habitat – Energize does minor weatherization upgrades. Habitat can opt into a tracking on their home where they report their energy use.

Manufactured homes are driven by energy codes forced into installing higher efficiency 'new' products and have a lot of costs to the house. Solar panels we don't have sun. Just to try to get to the energy code pushes boundaries. Forced into new technology, one of the hidden costs that go directly to the customers are the appraisers. Higher efficiency savings then get rolled into the value of the house. Cost gets passed onto consumers.

Expensive energy codes. Most of the stuff makes the house better, what is the cheapest option I can do. Solar panels are the cheapest thing you could add right now. Last code cycle added 14-20 thousand. Previous around 15,000. In the last 20 years 100,000 added to the cost of the home.

Recommendation: Develop compliance approach that encourages widespread adoption

Houses that need the most energy improvements. We are at least 4 years ahead of the rest of the country see this as doubling down as additional requirements. With energy code why would we have to do HES as well.

New houses are under Energy Star certification. Additional rating maybe doesn't make specific sense in Washington State. Inherently new construction will have a higher code already because of these stringent energy code.

ESDS falls higher than state energy code. Habitat follows this.

Prompt: Talk about LMI people. Rating itself and educational piece about home buying costs. Impact of HES on LMI folks.

There aren't no LMI people. LMI buyers may not be buyers bc they don't think they can. If you did something like this could add to the upfront cost could save money. Poor people are afraid of the upfront cost. Poor people don't seek rebates.

Habitat – 500 families on the waitlist for homes. Serves people under 80AMI.

Prompt: If HES was promoted would the score allow people to understand the utility bills of the house?

Habitat - I think the impact would come more towards LMI homeowners right now. Saw a lot of people who have lived in their home right now. City of Olympia have an old buying stock that are now looking to move out of the state because of favorability.

Prompt: Is there opportunity to educate home buyers on the score. Where would you be able to use this score to provide improvements for home buyers.

It's a great conversation to have information of things to improve that home's performance. During inspection can say and make energy discussions. A score would add an interesting conversation that people would use. Information is powerful.

Commerce puts out a lot of funding for nonprofits to put out educational work. There is funding to facilitate that.

New construction wouldn't be affected by it because of state code compliance. Remodelers would be most affected.

Prompt: Transaction process and HES and recommendations for improvements. A set of information to the home seller Does that provide any incentive to the seller to do anything?

Seller tries to make improvements to make more money. Put in 5000 for insulation got out 20000 from purchase.

Gut 10% of sellers might be savvy enough to see improves made to home before selling because of score.

HABITAT – see this as a hinderance to the selling of the home. Allow the buyer to interact with the transaction process to hop in and

Prompt: For the new homeowner would this be beneficial to know? Collaborative is recommending report also includes financial incentive information.

Depends on LMI homes are not seeking rebates. See that

Habitat – as a nonprofit its beneficial but as individuals

Prompt: Where do people go to do home energy improvements? What are the resources in the county?

Home improvement specialists. More importantly where do they get the money.

Building Industry resource – Can find anyone you would think is related to the building industry.

We can't usually give recommendations about who to go to. Reputable resources can be found on the website send them there to get a service provider.

LNI website to check a contractor's background.

City of Olympia has a good educational program for home owners.

Prompt: Regional implementations, is that good bad?

Smart people will replicate what was done first. Energize Olympia to Energize Thurston.
Educational courses from Energize Olympia

Energy is not part of the conversation when you're inspecting a house with a home buyer. Do your own cost estimate and cost analysis. Make general comments about older equipment. Have folk that they refer to as specialists for home energy efficiency improvements.

Prompt do you see these HES

Probably going to have some grumbling of some sellers for the first few years. "This will detract from market price, might make them choose another house"

See people buying or selling a home before the ordinance is implemented.

Do they buy here or do they move on. The ones that haven't done the improvements are competing with the higher scored houses.

People care about renewables not energy efficiency.

Prompt: House can value for a whole lot more with improvements. Talk about the value of the home. How do you see that affecting the home, appraisal, cost, perceived value, or real value.

How would appraisals calculate that into your home score. VA appraisal would consider the home score higher than most.

Habitat – HES could potentially be a detriment to financing process. Underrider. This house will have a lot of costs for operation and maintenance. LMI people may not get financing because of the low HES score. Equity issue. Income doesn't lineup with the risk. Low income can't handle the higher cost of this low ranked home.

Immediate influence and longer-term impact.

Overtime we now have a housing stock with scores. Appraisers now see all houses have a score. Organically included into appraisal process eventually but at the beginning is there a standard for how each score is valued.

Keep going back to this piece of under riders. Equity consideration. Will this accidentally mess LMI households to finance a home.

Prompt: What kind of information would you give them. How would you provide them with additional information?

Habitat – moving closer and closer to building phasive houses.

Trifold brochure would be a nice talking point with QR code.

Manufactured homes – Cost analysis, what will be the lowest value for the highest price. Page on website and classes on HES

Redfin is a starting point as well as realtors.

Prompt: Where do you think homes are here on the score? Pre 4 years ago if all homes were low low. With the energy code looking back 20+ years.

Widely different between 10 years ago to today and 30 years ago to 10 years ago.

Early 2000s is when they started really ramping up the energy codes. Washington compared to the rest of the county

Customers would probably assume a newer house is already more efficient so wouldn't hurt to not have a score compared to a older home with a high HES.

Your energy bill continuously gets better but with diminishing returns. Looking at cost savings for customers.

Last 2 code cycles required heat pumps in the home. '21 In the next one people are going to have a plumbing. Heat pumps are mandated in new construction, can still have natural gas as backup. '18 was cost effective with Heat pump. They provided a credit for the heat pump. Home builders are chasing credits.

Prompt: Compliance warning and then a fine

Fine would be coming from the jurisdictions. Would have to enforce with municipal code.

Only one code enforcement officer for the city of Lacey. Greatly increase his work. Don't have too much experience with energy code mostly working with people who are nervous about if their home is habitable. Would probably have to have another position where this is their main focus. Don't have time to be proactive in compliance just relating to complaints.

Building Industry is seeing a lot of infrastructure challenges. Staffing needs.

Ideally there would be another way to achieve the end results where the benefits would be present but the negatives wouldn't be there.

Lacey: would want a climate person to do this.

Does this put a strain on the infrastructure for PSE. Might be about a decade out to support electrification efforts.

Prompt: Where should the fine be placed? What is the gate in the transaction process? If you don't have a score then you cant do what...

If charged to the Real estate agent can then just push those costs to the buyer

Lacey: can assign a fine but doesn't do it. Flagging it if they didn't release the code.

There's a way to do it without municipality enforcement. How many houses are listed outside of MLS. What do you do about people selling on their own. If their selling one Redfin

Looking at all the potential pathways of sale to ensure compliance happens for all homes.

At closing there is no energy score, then the seller you have to reserve \$300 to pay for that score if it made it to closing without the score.

ESCRO lots of discounts to cover

The compliance requirement is combined with listing processes.

What is PSE's role in all of this. Isn't there some benefit to PSE so they should contribute.

Everything they push sends costs to homeowners.

Not cost effective to put natural gas in new developments.

UTC stress of the grid.

PSE can't get ahold of anyone to review property with solar panels. Continue to send bills but customer can't get a hold of anyone. PSE bills should show up and down of solar.

How you run your ductwork. Building Envelope relatively low cost that would see the most benefits.

