CALIFORNIA ASSOCIATION OF REALTORS®

October 29, 2008

Mary Nichols, Chair
California Air Resources Board
1001 'I' Street
Sacramento, California 95814

Re: Climate Change Proposed Scoping Plan

Dear Ms. Nichols:

Thank you for the opportunity to participate in the development of the Climate Change Scoping Plan. We support the efforts of the California Air Resources Board to meet the goals of AB 32 through the Climate Change Scoping Plan and have found great value in actively participating in the process to develop this plan. With over 13 million homes existing in California, we are delighted to provide a homeowner's perspective on strategies to address the existing housing stock. In response to the Air Resources Board's solicitation for comments on the October 2008 Proposed Scoping Plan, we would like to restate our concerns with a particular strategy recommendation in the Scoping Plan.

The CALIFORNIA ASSOCIATION OF REALTORS® strongly opposes time of sale as a trigger for real estate mandates as is suggested in the Strategies for Existing Buildings section for the Electricity and Natural Gas chapter in Volume 1 of the Appendices. Time of sale trigger mechanisms are doomed to fail because of lack of market penetration. In addition, they unfairly burden homebuyers with extra costs at a time when they can least afford it.

<u>Time-of-Sale Takes Too Long.</u> About 70% of California's existing housing stock was constructed prior to the implementation of State Energy Efficiency Building Standards in 1978. With less than 25% of owner-occupied single family homes expected to change hands before 2020, time of sale won't get you to your goals; only a comprehensive broad-based approach will effectively reach older homes within the timeframe of AB 32 goals.

<u>Renters Overlooked.</u> Almost 40% of Californians live in rental housing. Time of sale mandates primarily affect owner-occupied single-family homes. As a result, millions of Californian homes will not be reached and those residents will not be affected by, and therefore will not benefit from, home energy efficiency audits and upgrades. Renters with limited incomes and resources are the very population that could stand to benefit the most from lower utility bills.

<u>Lack of Metrics.</u> Each home is unique in its energy efficiency and physical attributes, so retrofits and upgrades will not be uniform. While models and forecasts can attempt to conceptualize potential energy efficiency savings from retrofits, in practice, it will be impossible to track and measure savings from energy efficiency upgrades if done at time of sale. For example, local ordinances compelling energy audits and retrofits at time of sale are often times neither documented nor tracked, therefore making actual energy efficiency improvements and usage reductions impossible to measure and account for. A comprehensive approach to retrofits, engaging the tracking of real-world results reflected in utility bills, holds more promise.

Time-of-Sale Mandates Hurt Homebuyers. Every $1,000 increase in the price of a home disqualifies over 20,000 California households from achieving home ownership. Even in the current market, housing costs in California are above the national average and even worse, financing has become more restrictive. Home energy audits can cost up to $600+ per home to perform and energy efficiency retrofits will cost even more. REALTORS® are concerned about time of sale mandates loading new costs on transactions. These increased transaction costs are not only detrimental to housing affordability, they come at the time in the ownership cycle when homeowners can least afford them.

Transactions Are Time-Sensitive. Home energy efficiency ratings and upgrades at time of sale are inconsistent with the time-sensitive escrow process. When a homeowner begins the audit and improvement process, they must first find and employ a rater - if one is even locally available. The raters then need to visit and rate the home then provide a report with recommendations and cost estimates. Homeowners are then tasked with making the changes which may include finding and bidding a variety of different specialized contractors to implement the recommended upgrades and retrofits. Once the improvements have been completed, required code enforcement and third party verifications will take even more time to complete. In the context of a home sales transaction where lenders dictate the timing of qualified financing, these obligations are unreasonable and overly burdensome.

REALTOR® Liability. REALTORS® take their disclosure responsibilities seriously and they have a good track record of performance. Disclosure of audit program information and home energy efficiency upgrades will be handled through existing mechanisms. However, we are not energy conservation experts, do not want to be the "energy cops" in a transaction.

A Better Alternative. We agree with the following statement from the 2008 California Energy Efficiency Strategic Plan: "To achieve both widespread and deep levels of energy efficiency throughout the existing housing stock eventually may call upon state or local government leadership." In keeping with the goals of AB 32, a comprehensive, systematic approach to energy efficiency improvements and tracking the resulting greenhouse gas reductions is needed. The key to achieving documented energy efficiency improvements in existing homes lies in a broad, statewide approach that would reach ***all*** California homes. This can be achieved by state and local governments collaborating with utilities to target all pre-1978 homes first. Once this generation of housing has been audited and required improvements addressed, the program could continue to address the remainder of the housing stock. To deal with the negative impact of "front end" costs, we suggest the use of "public good" funds and/or grant programs through the utilities to perform the audits. Similarly, if retrofits identified in the audit can be funded through a utility surcharge, grant, or cost-avoidance on-bill financing, then that alternative financing may constructively address the cost issue. In addition, any financing options should spread the costs over the lifetime of the product being financed rather than the lifetime of the building, as is suggested in the Scoping Plan. Furthermore, it is also important to get energy audits into the hands of a potential seller well in advance of the sale process itself. This will allow the true energy costs of a building to be reflected in its price, and allow any retrofits made in response to it to be done in a timely, documented and cost effective timeframe.

The existing housing stock really can "get there from here", but only with a broad-based comprehensive effort. We will lend our efforts to making the proactive approach work, and look forward to collaborating with you, other state agencies, utilities, lenders, builders, contractors and other interested parties to make this more aggressive approach successful.

Thank you for your consideration,

Elizabeth Gavric

Elizabeth Gavric
Legislative Advocate