MAKING THE INVISIBLE VISIBLE:
Valuing Home Energy Efficiency

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Vermont Green Home Alliance (VGHA)

The VGHA is an informal alliance of collaborating trade organizations & businesses that operates on a consensus basis.

Jeffrey Gephart, Vermontwise Energy Services, Inc.
Vermont Green Home Alliance (VGHA)

- Association of Vermont Credit Unions
- Building for Social Responsibility
- Building Performance Professionals Association of Vermont
- Efficiency Vermont
- Energy Futures Group
- Home Builders & Remodelers Association of Northern Vermont
- New England Real Estate Network (MLS)
- Vermont Passive House
- Vermont Association of Professional Home Inspectors
- Vermont Chapter of the Appraisal Institute
- Vermont Energy Investment Corporation
- Vermont Green Building Network
- Vermont Housing Finance Agency
- Vermont Mortgage Bankers Association
- Vermont Realtors®
- VSECU – *a credit union serving all Vermonters*

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Vermont Green Home Alliance (VGHA)

Our Mission
Transformation of the real estate market so that buyers and sellers can identify and accurately value energy efficiency and renewable energy benefits.

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Visible Value Blueprint

Unlocking the Value of an Energy Efficient Home
A Blueprint to Make Energy Efficiency Improvements Visible in the Real Estate Market

August 2013
CNT Energy
National Home Performance Council


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Visible Value Blueprint: 7 Steps

1. **Document** energy efficiency features and improvements using consistent, standardized methods.

2. **Disclose** inventories of energy efficient homes to track supply.

3. Capitalize on existing *(and/or create)* high-quality continuing **education** and designation training.

4. Work with the **MLS** community to ensure that **data** about home energy efficiency improvements are incorporated **into for-sale listings**.

5. Ensure that the data about home energy efficiency improvements are incorporated into the **appraisal process**.

6. Develop standards and IT solutions that allow quicker and more **automated transfer of data**.

7. Work with partner **financial institutions** to ensure selection of **qualified appraisers**.

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Visible Value Blueprint Steps in Vermont

1. **Document** energy efficiency features and improvements using consistent, standardized methods.

### New Home Construction
- Home Energy Rating
- Efficiency Vermont Certified
- ENERGY STAR® Certified Home
- Efficiency Vermont Certified High Performance Home
- Passive House (PHIUS+)
- LEED for Homes
- National Green Building Standard

### Existing Home Improvements
- Home Performance with ENERGY STAR
- U.S. DOE Home Energy Score
- Vermont Home Energy Profile
Visible Value Blueprint – Step 1 in Vermont

Vermont Home Energy Profile

- Asset rating for existing homes
- Profile estimates MMBtu/Year (all fuels)
- Estimates Cost/Year (all fuels)
- Includes the U.S. DOE Home Energy Score
- Piloted by home performance contractors, weatherization assistance programs, and property inspectors in VT
Visible Value Blueprint Steps in Vermont

2. **Disclose** inventories of energy efficient homes to track supply.

**Home Energy Rating Information Release:**

The enrollee hereby **authorizes Efficiency Vermont to release** the following Home Energy Rating System (HERS) information for the purpose of assisting real estate appraisers and realtors in the development of accurate home appraisals:

- the **physical address** of the rated property;
- the **HERS Index Score**;
- whether the home is **labeled as** ENERGY STAR®, LEED for Homes, National Green Building Standard, or Passive House; and the **date** that Efficiency Vermont criteria was met.

**Requests** by enrollees to **withhold such release will be honored**, providing such notification is received prior to completion of HERS documentation. For all enrolled properties, Home Energy Rating and associated project documentation will be available to subsequent owners of the property upon request.
Visible Value Blueprint – Step 2 Disclose Inventories

High performance new home % of all new homes, 2000 to 2012.

Map by:

Data from:

Vermont & New Hampshire spooning since 1791
Visible Value Blueprint Steps in VT

3. Capitalize on existing (and/or create) high-quality continuing education & designation training.

Excerpt from Vermont Realtors® Green News

Realty’s New Reality
The Emerging High-Performance Home Market

June 16 / 10am-12:15pm
Marlboro Graduate Center / Brattleboro / 2 hrs CE

Back by popular demand, Realty’s New Reality is a 2ce class that will focus on the emerging high-performance housing market in Vermont. This class will include an overview of the real estate value chain (green builders and contractors, listing agents, appraisers, lenders, and homeowners) and how it relates to the proper valuation of more efficient homes. The class will also explore building ratings and certifications, such as ENERGY STAR®, Leadership in Energy and Environmental Design (LEED), and energy asset ratings such as the HERS Index Score, which introduces asset valuations. The class will also feature a highlight of legislation and incentives to fund energy-efficiency improvements, renewable energy, and sustainable design in New England. REGISTER
Visible Value Blueprint – Step 3 Educate

• Facilitate (market, underwrite, and incentivize), more of the Appraisal Institute’s *Valuation of Sustainable Buildings Professional Development Program* courses to gain more Registry listings of competent appraisers.

• Develop additional training delivery options.
Visible Value Blueprint Steps in Vermont

4. Work with the **MLS** community to ensure that **data** about home energy efficiency improvements are incorporated **into** for-sale listings.

**RESO Approved 3rd party verified green fields**

- Green Building Verification (program)
- Green Verification Body (sponsor)
- Green Year Verified
- Green Verification Rating (level achieved)
- Green Verification Status (proposed or official)
- Green Verification Metric (efficiency score)
- Green Verification URL (web address for details)

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5. Ensure that the data about home energy efficiency improvements are incorporated into the appraisal process.

Educate the design, construction, and home performance communities (sellers and Realtors® too), on how to include energy efficiency and renewable energy information in the loan application and appraisal process.

Provide Data!

- **PV Value** (online calculation tool - www.pvvalue.com/)
- Incremental cost (**Cost Data Addendum for High Performance Homes**):
- Appraisal Institute’s (**Residential Green and Energy Efficient Addendum**)
  www.appraisalinstitute.org/assets/1/7/Interactive820.04-ResidentialGreenandEnergyEffecientAddendum.pdf
6. Develop standards and IT solutions that allow quicker and more automated transfer of data.

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**Appraised Value and Energy Efficiency: Getting it Right**

Explains why there are issues with appraisals:

- Changes in market demand, energy code updates
- Fannie Mae, Freddie Mac, FHA requirements for appraiser competency

Explains possible solutions:

- How to prepare a loan applicant for the mortgage application and appraisal
- What a loan applicant needs to do when seeking the mortgage

[http://bcap-energy.org/appraised-value-and-energy-efficiency-getting-it-right/]
FOR BUYERS:
ASSURING A COMPETENT APPRAISER FOR YOUR NEW HOME

Congratulations on choosing an energy efficient, high-performing home!

Your new home was built to higher energy efficiency standards that will improve your quality of life. Your home will be more comfortable to live in and have lower monthly energy bills than other newer homes on the market. According to the U.S. Department of Energy, homes built to the 2012 or 2015 International Energy Conservation Code (IECC) are 15-16% more efficient than those built to the 2009 IECC or earlier. Some of your home features may include:

- More wall and ceiling insulation to keep conditioned air inside your home
- Windows that keep the heat out in the summer months to improve comfort
- Fewer drafts and air leaks, which improves indoor comfort

What You Need To Know Regarding the Loan/Appraisal Process

As part of the typical loan process, lenders randomly assign an appraiser to determine the appraised value of a new home. However, yours is not a typical new home – it is a high-performance building with unique features. Fannie Mae, Freddie Mac and FHA guidelines require appraisers to be competent in the property type they are appraising. If you do not clearly identify the property as a special property type requiring a competent appraiser trained in energy-efficient, high-performance homes, a typical appraiser will be assigned, and these features may not be taken into account, which will put your appraisal at risk of not being competently appraised.

What You Need To Do

Provide your lender with three things provided to you by your builder:

FOR LENDERS

Dear lender,

The new home located at: ____________________________

is a special property type. It is an energy efficient, high-performing home that meets the stringent energy efficiency requirements of the code checked below:


A copy of the Green and Energy Efficient Addendum form, and the HERS report (if available) should be included with the appraisal engagement letter. Fannie Mae, Freddie Mac and FHA guidelines require lenders to choose competent appraisers who have the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type. As a high-performing, energy efficient home, it requires an appraiser that is competent to assess the value of the green and/or energy efficiency features in the local real estate market.

You can access a list of qualified appraisers at the Valuation of Sustainable Buildings Professional Development Program Registry, available at http://www.myappraisalinstitute.org/findappraiser/green_sustainability_residential.aspx. These specially trained appraisers have completed 28 hours of education and passed three exams. If the appraisers on your panel are not on this list, they can complete 14 education hours online to get started:

http://www.myappraisalinstitute.org/education/course_descr.rdf?prgrm_nbr=826&key_type=CO

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http://bcap-energy.org/appraised-value-and-energy-efficiency-getting-it-right/
Visible Value Blueprint – Step 7 Ensuring Appraisal Competence

Course on Valuating Solar Promoted by VT Green Home Alliance

The Vermont Green Home Alliance is promoting a course to aid lenders, appraisers and others in the Residential & Commercial Valuation of Solar (read more or register via the link). It is one of three courses required for a listing on the Appraisal Institute’s Valuation of Sustainable Buildings Professional Registry (appraisers do not need to be Appraisal Institute members to be Registry listed). Participation in the April 28th-29th course in Concord, NH provides 15 continuing education credits in Vermont and New Hampshire.

In an effort to help lenders, builders and others prepare for increasing levels of high performance new home construction and energy efficiency, the Vermont Green Home Alliance is also distributing Appraised Value and Energy Efficiency: Getting It Right. Developed by the Appraisal Institute and Building Codes Assistance Project (and endorsed by the National Association of Home Builders), this short piece explains to real estate professionals and lenders why the appraisal of high performance homes is a complex appraisal assignment and, for architects, builders, and home performance contractors, how to proactively prepare customers for loan applications and appraisals.

AVCU is a member of the Vermont Green Home Alliance, which is an alliance of collaborating trade organizations and businesses working to educate real estate professionals and related persons about energy issues and to share accurate energy efficiency and green building information with the real estate market.

Association of Vermont Credit Unions (AVCU) announcing AI’s Residential and Commercial Valuation of Solar course and AI and BCAP’s Appraised Value and Energy Efficiency: Getting It Right.

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Thank You...
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