

DOCKETED

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Energy Efficiency AB758

See attached doc titled 4-2015 Comments for Docket 15

Please disregard!!! a previously attached (at 4pm today) doc titled
Written Comments for Docket 12-EBP-1

Thank you!

Additional submitted attachment is included below.

Written Comments for Docket 15-IEPR-05

California Energy Commission
RE: Docket No. 15-IEPR-05 "Energy Efficiency"

From: Debra Little, Home Performance and Valuation specialist
CA Certified Appraiser
BPI Certified Building Analyst
DebraLittle1@gmail.com
530 320-2107

Commissioner Mc Allister and staff

I commend the CEC for its continued progress towards a more energy efficient existing building sector in CA and express my appreciation for its hosting of the recent public workshops.

I thank the California Energy Commission for the opportunity to provide these public comments regarding the California Existing Buildings Energy Efficiency Action Plan.

Goal 4, Strategy 4.1 Real Estate Value

My comments pertain to *residential* valuation.

The appraisal process of commercial and residential properties are quite different. While commercial property valuation relies heavily on financial calculations where energy efficiency may directly & positively impact operating expenses and value, residential valuation requires the consideration and reporting of (past) actions of the market.

When appraisers must report market activity, they're dependent on a knowledgeable market, which is still in an emerging stage. The definition of market value refers to the premise that buyers and sellers be willing, able and *knowledgeable*, and yet we know that this piece is often missing. This is exasperated by the current lack of training of real estate agents and appraisers in expertise of home performance.

There already exist tools in the residential appraiser's toolbox that provide for a "Systematic quantification of value". Although they could be sharpened up for applicability to energy efficiency and *beyond efficiency* elements, they generally are not accepted by lenders. Appraisers are often reticent to utilize because these methods are not primarily market based and will potentially be rejected by lenders.

I agree that in light of our current state of an emerging market where market evidence is not prevalent and will not be readily discoverable in notable volume for some time, appraisers must be empowered to validate contributed value of energy assets through methodologies that are not reliant on market evidence. But this empowerment should be assigned to those with proven expertise, or 'appraiser competency'.

Competency requirements are set forth in the United Standards of Professional Appraisal Practice (USPAP), establishing that appraisers claim competency (training and experience) in the particular property type at the time they accept an assignment. Whether it be for an urban condo, horse property or high performance home. Although this is established, this system is in disrepair, particularly since Dodd Frank.

As licensing is managed at the state level, *competency should be managed through the offices of the CA Bureau of Real Estate Appraisers by way of testing* as it is for various levels of licensing. Certifications of any sort since Dodd Frank have been rendered near useless to appraisers, bringing no financial benefit as they are not recognized by Appraisal Management Cos, those that typically facilitate orders. A test provides the most democratic and fair method for proving competency, allowing the free market to offer training (possibly through a certification program) in preparation for the test.

*I've recruited a team of experts from WA & OR to collaborate with us here in CA, to develop a recommended test for appraisal competency in green and energy efficient homes. This is a project of the Net Zero Energy Coalition.

4.1.1 Asset Ratings

Although I appreciate the concept of consideration of assets of the house as differentiated from the occupants, it is widely recognized that HERS testing is inconsistent. If we are to utilize HERS in valuation, to actually assign value to a home, I strongly urge that HERS testing be demonstrated to be highly reliable. Even if we could say we could give it a +/- 5% it may be acceptable & workable, but it doesn't appear that we can currently stand by such a statement.

Utility bills remain the best proof of performance. These are easily disaggregated to separate the heating, cooling and water heating from plug loads which are occupant influenced. Complications arise in the case of alternative fuels like wood or in vacation homes. Utility bills should always be requested and considered when possible. The analysis of utility bills is much simpler and less expensive than a HERS test. It's often the process of obtaining 12-24 mos of bills that is a time consuming step.

I want to acknowledge that many expert home performance contractors use HERS and related testing of their own work and are able to predict energy savings quite accurately and consistently. Many of these also guaranty the savings!

4.1.3 Before advocating the use of a tool like the Appraisal Institute addendum (or their courses) questions should be asked about the level of expertise of the developers.

4.1.4 We've made progress but have a lot of work to do to update MLS systems with fields to facilitate reporting of high performance home elements. Training for agents and appraisers use is essential. Even in CO with the most advanced systems, use for reporting by agents is inconsistent. CEC could encourage the uptake here in CA.