



Better Buildings Neighborhood Program Workforce Peer Exchange Call: Contractor Pricing *Call Slides and Discussion Summary*

September 27, 2012

- Call Logistics and Attendance
 - What relationship between contractor pricing and customers are you seeing and what questions do you have for how other programs might be approaching contractor pricing?
- Discussion:
 - Does your program monitor and quality assure contractor pricing and how?
 - Does your program ensure uniform pricing for certain types of services and if not, what kind of variability are you seeing in the market?
 - What are you learning about how important cost is from the customer's perspective compared to other factors such as contractor reliability?
 - What other questions or concerns do you have with regard to contractor pricing?

- Austin
 - Chicago
 - Cincinnati
 - Fayette County
 - Lincoln/Omaha
 - Maryland
 - Michigan
 - North Babylon
 - Phoenix
 - Wisconsin
- Topics of Interest:
 - Approaches used by other programs - are there best practices to balance goals of minimizing contractor burden, maximizing contractor flexibility, and ensuring consumer protection
 - Experience introducing/using raters
 - Educating contractors on pricing and helping them adjust to a post-incentive world
 - Helping customers be sure contractor prices are reasonable

Discussion: How Does Your Program Approach Contractor Pricing?



- Market driven: contractors set price, program might review if asked
 - Austin: Promotes market-driven pricing and encourages homeowners to seek 2-3 bids to ensure they get best value
 - Introducing raters into pricing; by encouraging a relationship between raters and contractors, ensures pricing is driven by contractor but at market value
 - Wisconsin: Market-based, no uniform pricing
 - Contractor can freely bid above/below program incentive limits
 - In some cases homeowner gets a better deal than they would on open market; however, lower or medium-priced bidders are often at full/over-capacity
 - Maryland: Program only deals with pricing if customer asks them to review proposal to ensure everything is fair
 - Fayette County has a market approach similar to others

Discussion: How Does Your Program Approach Contractor Pricing? (Cont.)



- Market-based, but program has some active involvement: reviews or confirms contractor pricing, adjusts incentives with pricing in mind
 - Cincinnati: Reviews all proposals and if something looks out of line, asks the contractor
 - Set incentive caps for specific measures to help move pricing into a more reasonable range – want to be sure incentives are compelling but do not overinflate prices
 - Working to help contractors bring down costs and prepare to adjust once incentives are reduced or gone, while still allowing contractors to set their own price
 - Phoenix hired an independent cost estimator to examine the market and verify cost reasonableness
 - Estimator examined historical pricing and current market rates, and developed a matrix of pricing for certain measures
 - Program compares contractor proposals against matrix for reasonableness; when estimates come in higher than going rate, requires more explanation before approval
 - Once approved, program pays 60% of contractor proposal
 - Chicago: works with sub-grantees to check that contractors are giving a fair price
 - Program sets price for audits - \$99 - and pays contractor the remainder to bring cost down for homeowner
 - Program does not set prices for other work done

Discussion: How Does Your Program Approach Contractor Pricing? (Cont.)



- Program sets price for initial work (Michigan):
 - Uses whole home energy improvement approach so auditors and installers are from the same organization
 - Goal: simplify the process as much as possible to reduce barriers to homeowners completing energy improvement work
 - Approach:
 - Program assigns contractors to a very warm lead
 - Contractor provides fixed base-price package that is underpriced
 - Loss leader - contractor is willing to take work for under market price to up-sell other work
 - When homeowners express concern about subsequent contractor pricing the program encourages homeowners to go outside the program to get other bids – goal is accomplishing the work – and asks homeowner to share competitive pricing and program shares this with the contractors
 - Contractors in program have learned to become more competitive with their pricing, better at selling their qualifications – puts extra pressure on contractors to prove value since they might not always be the lowest price

Experience Introducing/Using Raters



- Austin is using rates for its multi-family and single-family programs
 - Multi-family (just launched in early September):
 - Takes sample from property to develop sample plan for rater
 - Rater assesses portion of units in complex
 - Rater gets paid for test-in and test-out
 - Single-family
 - Raters are incentivized \$100 for test-in and \$300 for test –out to encourage rater to sell upgrades
 - Hitch: relationship between rater and contractor, and how to set pricing
- Wisconsin uses HERS raters and BPI building analysts to conduct all assessments and generate an energy reduction plan
 - Contractors who have staff trained as building analysts can bring in a job, but higher QC threshold for cradle to grave
 - Raters agree to complete basic assessments for \$400; program covers \$300 in Milwaukee and \$200 in Madison. (Some raters offer more advanced assessments. WI does not limit what they charge, but requires that rater reaches agreement on fee in advance with homeowner and itemizes any additional services above and beyond the basic assessment.)

Lessons from WI Experience with Raters



- Use Energy Advocate to encourage homeowner to take next step
 - Some owners not willing/able to take next step to contact contractor
 - Energy advocates are similar to case managers – follow-up with homeowner every month or so to assess interest
 - Advocate can help homeowner send statement of work to contractors
- Require rater to disclose any relationship with the contractor to the homeowner to address any conflict concerns
- May be necessary for program to mediate
 - Usually contractor doing installation and rater get along, but occasionally conflict arises and homeowner gets stuck in middle
- Ratings can provide opportunity for homeowner to get help with project financing
 - Ratings reports are being recognized by financial institutions, Fannie Mae, HUD
- HERS raters recommended for high quality audits
 - BPI building analyst focus is field testing, not detailed house diagrams
 - HERS raters are skilled at both energy modeling and detailed property diagrams

- Austin is planning day-long sales tutorial for single-family contractors
 - Emphasis is preparing contractors to sell – do not want to give impression of setting prices
- Michigan held sales training for contractors
 - Contractors realized they need to work together to enhance reputation of their industry –within that had discussion about pricing, and idea of working together to ensure they are fair rather than undercutting each other

Discussion: Importance of Cost Versus Other Factors (e.g. contractor reliability)



- WI sees some customers choose higher bidders
 - Goal is to develop quality workforce, program requires BPI training for every crew; issue is whether homeowners are willing to pay for skilled labor
 - Has been challenge for insulation industry to market services to general public instead of relying on other industry professionals for work
- Phoenix: customers concerned about reputation
 - Many word-of-mouth referrals
- Austin: Looking to use reviews from homeowners on contractor surveys
 - Add information (e.g ., % of high quality responses) to website with other contractor information
 - Goal is to help customers differentiate between contractors, not rank contractors

Potential Future Call Topics

- **Engaging and Growing Small Contractor Businesses**
(scheduled)
- 3rd Party vs. Contractor Audits—What is the Right Approach?
- Designing Contractor Friendly Programs
- Engaging Local Efficiency First chapters
- Strategies for Attracting Business Owners to Trainings
- Home Performance Training/ Mentoring
- Quality Control Inspections and Testing
- Recruiting HVAC and General Remodelers for Whole House