



# Better Buildings Neighborhood Program Financing Peer Exchange Call: *Business Models and Case Examples for Working with the Real Estate Sector*

*Call Slides and Discussion Summary*

May 10, 2012

- Call Logistics and Attendance
  - Is your program currently working with real estate sector (or are you thinking about doing so), and if so, how?
- Program Experience and Lessons:
  - Cynthia Gunn, DOE
  - San Diego, CA: Jeremy Hutman, CCSE
- Discussion:
  - What are some key strategies for engaging this sector?
  - How can the value of energy efficiency be integrated into real estate transactions (e.g., during the inspection process or as a selling point)?
  - What are ways to raise awareness of energy efficiency during real estate transactions (i.e., make the invisible visible)?

# Participating Programs and Organizations



- Austin, TX
- Bainbridge Island, WA
- Bellingham, WA
- Charlottesville, VA
- Chicago, IL
- Connecticut
- Eagle County, CO
- Kansas City, MO
- Lincoln, Nebraska
- Maine
- New York
- Nevada
- Philadelphia, PA
- Sacramento, CA
- San Diego, CA
- Santa Barbara County, CA
- Seattle, WA
- Toledo, OH
- Wisconsin



# Residential real estate transactions provide opportunities to expose buyers and sellers to energy efficiency opportunities

## Real Estate Transaction Process and Energy Efficiency Opportunities

Business Model Framework

Governance

Financial Model/ Structure

Assets/ Infrastructure

Service Offering

Customers

Consult Realtor & Shop for Homes

Make an Offer & Negotiate Terms

Accept Contract

Apply For Mortgage Financing

Conduct Inspections & Resolve Issues

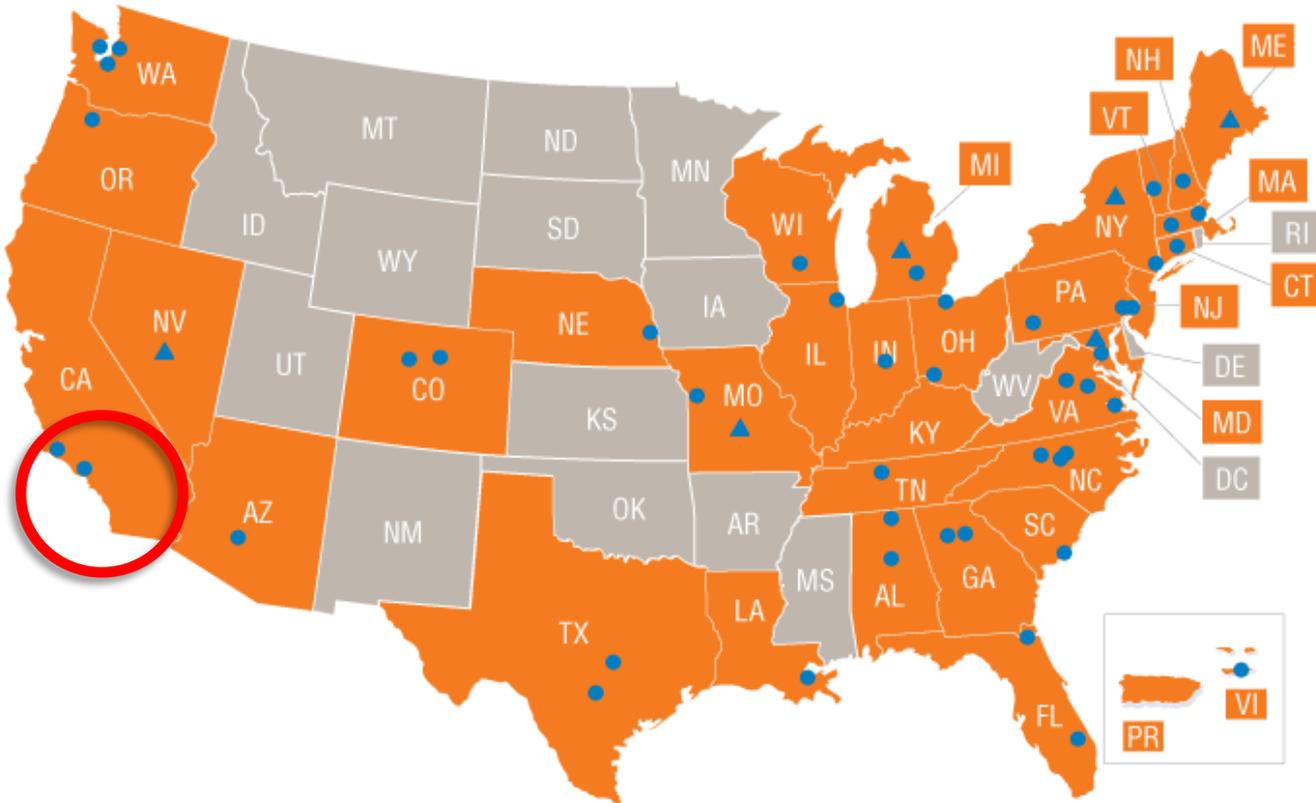
Close & Take Possession

Time to Sale	Days - Months	1 – 3 days	Week 1	Week 2	Week 2	Weeks 4-8
<b>Buyer Activity</b>	<ul style="list-style-type: none"> <li>Buyer identifies real estate agent</li> <li>Buyer determines property needs and wants</li> <li>Buyer visits properties</li> <li>Buyer obtains pre-qualification letter</li> </ul>	<ul style="list-style-type: none"> <li>Buyer selects property and works with agent to negotiate terms</li> </ul>	<ul style="list-style-type: none"> <li>Seller accepts buyer's offer with possible contingencies</li> </ul>	<ul style="list-style-type: none"> <li>Buyer applies for mortgage loan with financial institution</li> </ul>	<ul style="list-style-type: none"> <li>Buyer hires inspector (optional)</li> </ul>	<ul style="list-style-type: none"> <li>Buyer selects homeowner's insurance</li> <li>Buyer conducts final walk-through with real estate agent</li> <li>Buyer signs loan documents</li> </ul>
<b>Other Stakeholder Activity</b>	<ul style="list-style-type: none"> <li>Buyer real estate agent discusses loan products for home improvements</li> <li>Financial institution pre-qualifies buyer</li> <li>Seller real estate agent discusses improvements to facilitate sale</li> </ul>	<ul style="list-style-type: none"> <li>Buyer's agent discusses strategies for offer</li> <li>Seller and buyer negotiate terms of offer</li> <li>Seller accepts offer or provides counter offer</li> </ul>	<ul style="list-style-type: none"> <li>Seller accepts buyer's offer</li> </ul>		<ul style="list-style-type: none"> <li>Inspector conducts home inspection to include physical and pest inspections</li> <li>Working with real estate agent, contingencies are removed by buyer</li> <li>Inspector typically must be licensed. Hired to look for safety issues or major repairs.</li> </ul>	<ul style="list-style-type: none"> <li>Underwriter reviews files for acceptance</li> <li>Loan is approved by financial institution</li> </ul>
<b>Energy Efficiency Opportunity</b>	<ul style="list-style-type: none"> <li>Real estate agent can provide overview of energy efficient features of homes in listing sheet</li> <li>Agent can also highlight MLS listings for buyers looking for green features</li> <li>Agent can discuss efficiency improvements to seller prior to marketing</li> </ul>	<ul style="list-style-type: none"> <li>Both agents need documentation that confirms efficiency improvements in the home and energy/cost savings</li> </ul>		<ul style="list-style-type: none"> <li>Financial institution has opportunity to work with appraiser to determine value of energy efficiency improvements</li> </ul>	<ul style="list-style-type: none"> <li>Some inspectors offer home maintenance advice which could include efficiency recommendations (optional)</li> </ul>	<ul style="list-style-type: none"> <li>There is an opportunity to combine energy efficiency financing with the mortgage</li> <li>Real estate agents can discuss further energy efficiency improvements with regard to home valuation</li> </ul>

# Highlights and Lessons Learned

- Real estate agent recruitment can be similar to contractor activities in that the program achieves an extended sales force and access to a broader pool of potential customers
- It is useful to develop real estate agent skills by helping them to understand each building's approach to retrofits and what energy efficiency features will mean for buyers and sellers.
- The major difference between real estate agents and contractors is that agents typically have significant backgrounds in sales.
- An important relationship-building experience between buyers and sellers is the of review energy efficiency upgrades (or potential upgrades) to ensure that all parties are aware of the property's conditions and that communication channels are open.

# San Diego, CA





Center for  
**Sustainable Energy**<sup>®</sup>  
CALIFORNIA

# **Real Estate Community Engagement**

Jeremy Hutman  
5/10/12

# Background

- The California Center for Sustainable Energy ( CCSE) is an independent, nonprofit 501(c)(3) corporation that helps residents, businesses and public agencies save energy, reduce grid demand and generate their own power through a variety of rebate, technical assistance and education programs. CCSE also provides the community with objective information, research, analysis and long-term planning on energy issues and technologies.
- CCSE Buildings Performance Department roles in Energy Upgrade California
  - Regional Stakeholder Coordination
  - Contractor Training and Management for Utility Home Performance Program (ratepayer funded)
  - Workforce Development (EECBG, Local Government)
  - Low income direct install program management (EECBG)
  - Behavioral Research (EECBG, Local Government)
  - Demand Generation (**Better Buildings**, EECBG)



# Demand Generation

## Multi-Pilot Approach



**Community Workshops**



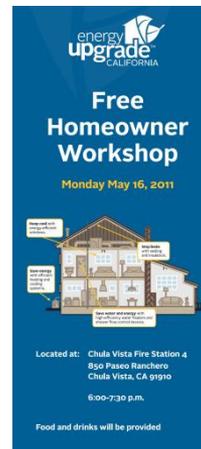
**Military Veteran Outreach**



**Demonstration Homes**



**Assessment Vouchers**



**Co-op Marketing**



**Residential Energy Roadshow**

[www.energycenter.org](http://www.energycenter.org)

# Partnering with Real Estate Agents



Image courtesy of foreclosurelistings.com

Objective: Get them to promote  
Energy Upgrade California

Opportunity 1: Agents engage  
homeowners at point-of-sale

Opportunity 2: Agents want to stay  
top-of-mind with past clients

Threat 1: Agents do not want to  
complicate, slow down or lose a sale

Threat 2: Agents do not want to be  
asked questions they can not answer

# Real Estate Agents

## How to get them to promote your program

### Step 1. Make them experts...Turn Threat #2 into an opportunity

- Green Certifications (Ecobroker, Certified Green Real Estate Professional)
- Workshops at local Realtor associations
- Partner with local jurisdictions who already have relationships with the real estate community



### Step 2. Help them stay up to date on the program

- Networking Events to meet contractors
- Information on financing options

### Step 3. Help them to look good in front of their clients

- Real Estate Agent Assessment Voucher Pilot



[www.energycenter.org/voucher](http://www.energycenter.org/voucher)



## Claim Your Voucher

Provided by your Realtor

### 1 Enter the voucher code

Contact your Realtor to get a valid code

### 2 Complete the form on the right

Enter your name and email address

### 3 Print your Voucher

Follow the simple instructions to find a contractor or rater and save \$300 on your energy assessment

Promo Code

First Name

Last Name

Enter your email address

Zip Code

**Get Voucher (PDF)**

1. Real Estate Agent Signs Participation Agreement
2. CCSE Provides a Promo Code
3. Agent prints out vouchers and gives to clients

Learn more about Energy Upgrade California  
email or call 866-SDENERGY

Energy Upgrade California is a collaborative program administered by the California Energy Commission in partnership with public and private utilities, the California Public Utilities Commission and participating counties. The program is funded by grants and contracts from the U.S. Department of Energy, the Energy Commission, and California utility customers. This program may be modified or terminated without prior notice and is provided to qualified customers on a first-come, first-served basis until program funds are no longer available. Neither the Energy Commission, the counties, the utility companies nor the Public Utilities Commission are responsible for any goods or services selected by the customer. The trademarks used herein are the property of their respective owners.

[www.energycenter.org](http://www.energycenter.org)

FOR A LIMITED TIME ONLY

REDEEMABLE FOR

**\$300 OFF**

your Home Energy Assessment  
(or the total cost of the assessment, whichever is less)

Promo Code: **test2012**

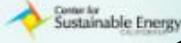
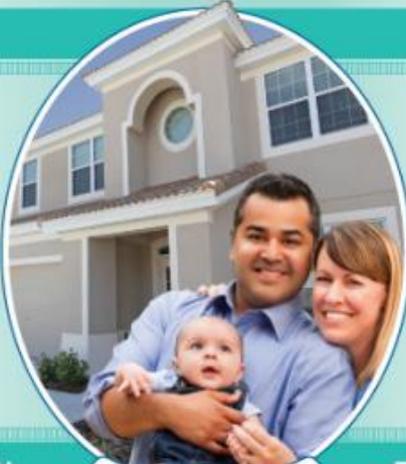
NOT REDEEMABLE FOR CASH

ENERGY SAVERS

EXPIRES JULY 1, 2012

This voucher is provided by:

**Andres Spagarino**  
CCSE  
aspagarino@gmail.com  
858-244-1177  
DRE #12345678

Agent's unique Promo Code

Agent's name and contact info

Expiration Date

This voucher can only be used to offset the cost of a comprehensive energy assessment performed by an Energy Upgrade California participating contractor or rater. This voucher cannot be used with any other assessment voucher or incentive. The home must be a single-family detached property located in San Diego County. The voucher can only be redeemed through the participating contractor or rater. The voucher must be received by CCSE via e-mail, mail or in person by close of business on the Expiration Date listed on the voucher.

**Homeowner Instructions:**

- Step 1.** Contact an Energy Upgrade California participating Contractor or Rater (View complete list [www.energycenter.org/contractors](http://www.energycenter.org/contractors) or use the referral system at [www.energycenter.org/upgradereferral](http://www.energycenter.org/upgradereferral))
- Step 2.** Inform the contractor or rater that you have a Voucher from the California Center for Sustainable Energy in the amount of \$300. They will provide a discount for you.

**Contractor Instructions:**

Complete a Voucher Reimbursement Form (VRF) - download form at [www.energycenter.org/VRF](http://www.energycenter.org/VRF)  
Submit the Voucher, VRF and a signed invoice showing a credit of \$300 to the California Center for Sustainable Energy.

Contact [Voucher@energycenter.org](mailto:Voucher@energycenter.org) or 866-SDENERGY with any questions.



**Jane Smith**  
ABC Realty Company  
San Diego, CA

(619) 555-1234



Homeowners in your neighborhood are taking advantage of a new statewide program called Energy Upgrade California.™ You can now access rebates up to \$4,000 to make your home healthier, more comfortable and energy efficient. As a real estate professional I know that homeowners are happiest when they are in control of their utility bills, breathe healthy air and are comfortable in every room in their house.

You can choose from a large list of measures that include air sealing, insulation, duct sealing, heating/AC, new water heater, windows and many more...

### It all starts with a comprehensive home energy assessment.

All homeowners should know how their home is performing. In an energy assessment a participating Energy Upgrade California contractor or rater conducts tests to diagnose energy, health and comfort issues and then creates a proposed scope of work to fix the problem areas. You will also get a detailed report that is yours to keep.

Here is a \$300 voucher towards your energy assessment which will offset most or all of the cost, so this voucher really helps. All you have to do is:

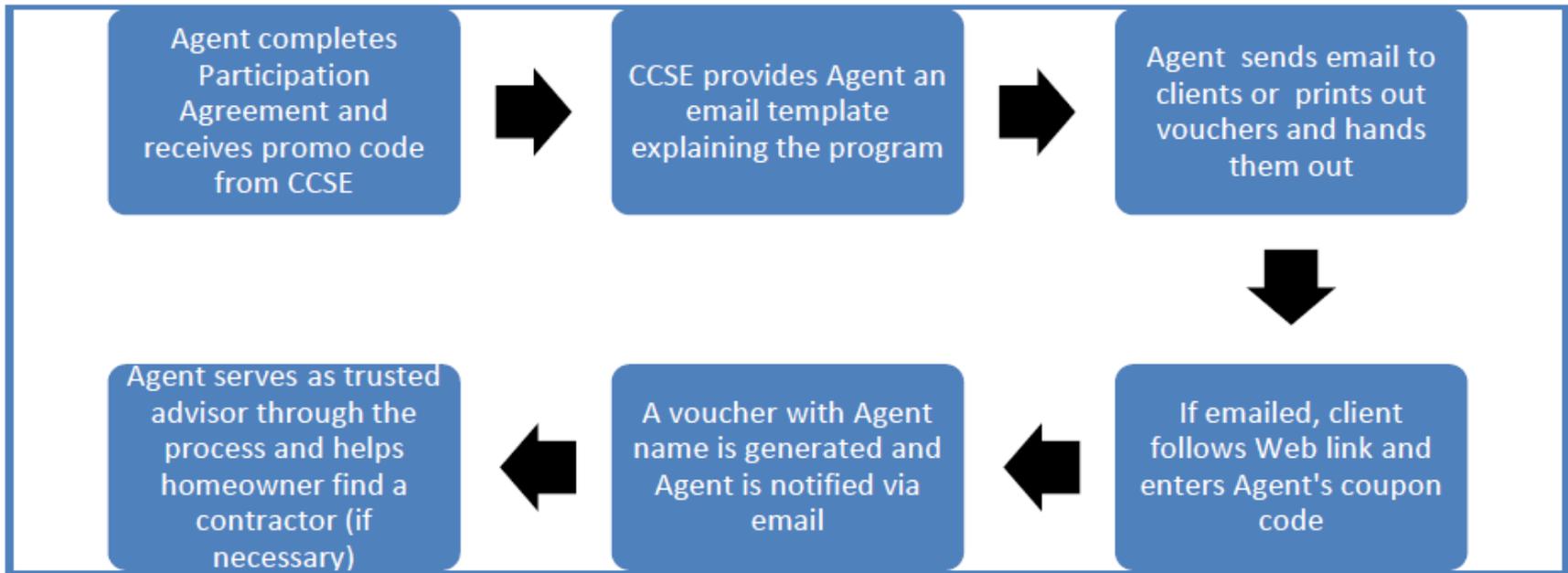
1. Go to [www.energycenter.org/voucher](http://www.energycenter.org/voucher)
2. Enter your information and the promo code: **XXXX**
3. Follow the instructions to find a participating contractor or rater
4. Print out the voucher, give it to your contractor and they will reduce their price by \$300

 Click Here

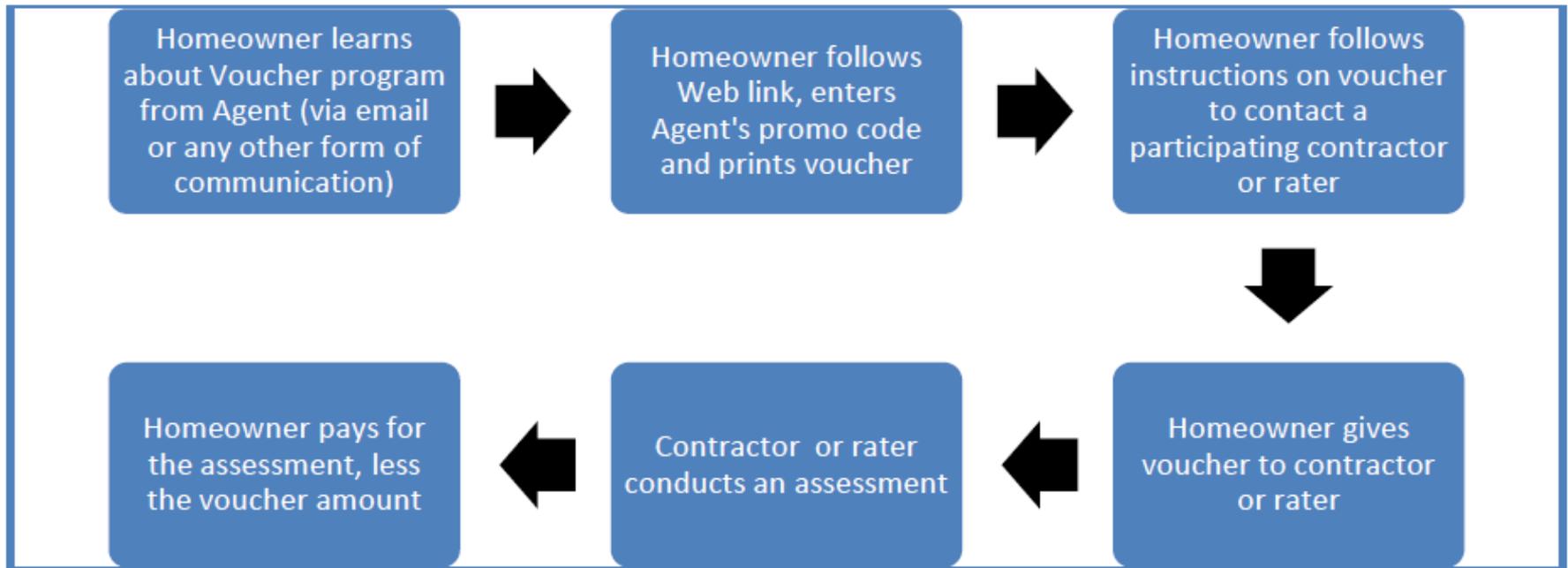
to claim your \$300 Voucher

## Email that Agents can modify and send to clients

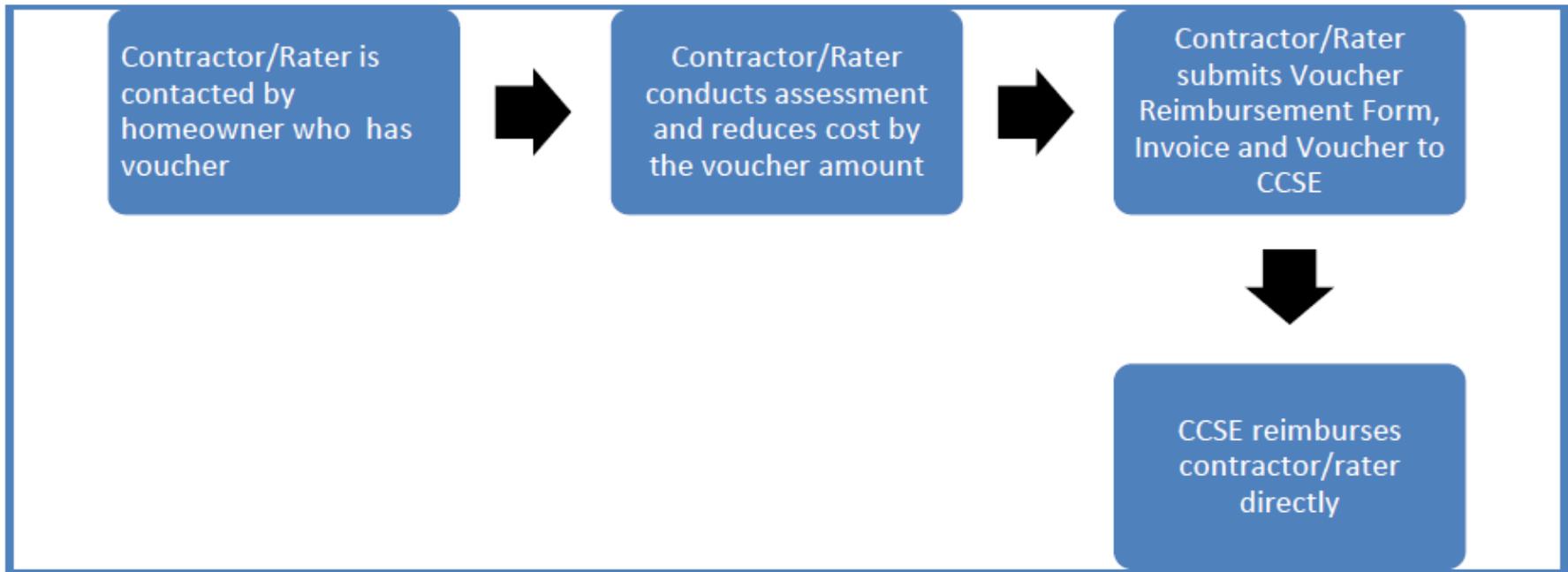
# Process for Agents



# Process for Homeowners



# Process for Contractors



# Progress to Date

- Goal of 50 participating agents and 500 completed assessments
- Recently completed full launch and invited ~100 agents to participate
- 10 Agents have submitted a signed participation agreement
- No assessments yet
- Next steps: Continue to promote the pilot to the real estate community and provide ongoing support for participating agents

Thank You

# Highlights and Lessons Learned

- A multi-pilot approach can help to engage many different stakeholder groups.
- Real estate agents can be valuable partners in promoting energy upgrades and connecting buyers with contractors who can install the upgrades. Workshops and networking events are useful ways for real estate agents and contractors to meet.
- Buyers' agents are more likely to promote energy upgrades than listing agents who do not want to disrupt the sale.
- Expiration dates on upgrade vouchers can create a sense of urgency, causing homebuyers and homeowners to act more quickly.

- What are some key strategies for engaging this sector?
- How can the value of energy efficiency be integrated into real estate transactions (e.g., during the inspection process or as a selling point)?
- What are ways to raise awareness of energy efficiency during real estate transactions (i.e., make the invisible visible)?

# Strategies for Engaging the Sector

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- Philadelphia, Pennsylvania works to identify the “green edge” of a region’s real estate community to encourage early adoption of energy upgrade promotion practices. Philadelphia holds green homes roundtable discussions for those who are identified as a part of this group.
- Offering courses related to energy efficiency that provide Continuing Education credits for realtors can be a great way to incentivize participation.

- Connecticut encourages sellers to have energy assessments conducted. Sellers' certificates can show dollar amounts for energy savings over one year, making homes more attractive to buyers even when energy upgrades have made them more expensive.
- Several programs utilize home performance scores such as Earth Advantage to show lower operating costs and carbon footprints.

- The point of sale is an entry point to get homeowners to make energy efficiency upgrades because it is least disruptive to their living situation, and they may be doing other upgrades to the property.
  - Bainbridge Island, Washington promotes conducting energy audits in newly purchased homes to encourage buyers to pursue upgrades.
- Connecticut promotes the use of certificate programs that include a home energy “yardstick” to show energy cost savings.

# Potential Future Call Topics

- Financing small business retrofits
- Dealing with SHPO related to ES windows
- Experience and data on the performance of loans
- Success stories on projects, including the type of enhancements and financing
- How to make commercial energy efficiency financing programs sustainable
- Effective strategies for working with lenders
- Tying EE financing to home loans
- Financing for middle-income households
- Establishing an Energy Efficiency Enterprise Fund
- Loan Programs for low and moderate income households
- Financial product messaging and communications
- Options for unsecured debt
- Blended financing
- Revenue modeling tools
- Revenue streams from financial institutions