

Disclose Building Energy Performance (Checklist)

POLICY DESCRIPTION

Building owners could be required to disclose the energy performance of their buildings using a common checklist of energy efficiency measures. The checklist would include a set of the most common and cost effective measures which, if implemented, would achieve a desired level of energy performance. Completion of the checklist would be required (likely by a third-party auditor) at building time-of-sale, by a certain date, or as a prerequisite for financing and then disclosed to prospective buyers or tenants or to the general public. Properties could be "rated" based on the number of measures achieved out of the total included on the list (e.g. a property would be rated a "4" if 4 out of 10 measures are present at the time of disclosure).

POLICY OBJECTIVE

To increase information available to building owners and occupants, create a mechanism for market differentiation, help identify opportunities for efficiency gains, and encourage voluntary upgrades.

SUMMARY OF CRITERIA RATINGS (★★★★★ = best/most feasible)

| | | | |
|-----------------------------|-------|-------------------------------|-------|
| Energy Efficiency Potential | ★★★ | Cost of Policy Implementation | ★★★ |
| Economic Benefit | ★★★★★ | Administrative Feasibility | ★★★★★ |

INDIVIDUAL CRITERIA RATINGS

ENERGY EFFICIENCY POTENTIAL

Rating: ★★★

- **Broadly applicable across sectors and measures:** An energy performance checklist is applicable to both residential and commercial building types. Policy applies equally to all fuels (gas, oil, steam, electricity) and could include all measures for each fuel type.
- **Little incentive for measure implementation:** Effectiveness relies on the ability of the checklist information alone to provide sufficient motivation to owners to follow through with efficiency upgrades. Policy does provide some guidance on which measures should be adopted. Tying this disclosure policy to financial incentives could increase the energy efficiency potential.

ECONOMIC BENEFIT

Rating: ★★★★★

- **Moderate economic potential:** The broad range of applicable measures and the specificity of the checklist in providing direction as to what measures need to be installed provide a modest amount of efficiency potential. This results in a moderate amount of potential economic impact. Based on the economic impact modeling, this policy ranked in the upper third of policies reviewed in terms of potential economic output and jobs.
- **Applicable to all sectors:** This policy could be feasibly implemented in both the residential and commercial sectors. Specific industries that would receive economic benefits include installation contractors for the various measures (lighting, AC, heating, etc.). The general economy would also benefit from increased spending and business output resulting from reduced energy bills. There are little or no manufacturing benefits expected from this policy as all measures are likely manufactured outside the Seattle city limits.
- **Job growth to the energy auditor industry.** Requiring assessments of building performance would encourage growth in the number of energy auditor jobs.

COST OF POLICY IMPLEMENTATION

Rating: ★★★

- The total cost to city and partners of establishing this policy is estimated to be \$60,000 - \$190,000.
- **Development of appropriate checklists: \$20,000 - \$50,000.** Sample checklists from other jurisdictions are easily available and the technical capacity to develop the checklist likely exists primarily in-house. Some consultant research may be needed to assess energy benefits of checklist items.
 - **Development of database: \$20,000 - \$100,000.** A public database could be developed to house and provide access to the ratings, and complexity and security requirements for a checklist approach would likely be less than for a performance rating approach. Alternatively, existing databases could potentially be leveraged for cost savings.
 - **Legislative development: \$20,000 - \$40,000.** City staff would be needed to develop the policy specifics and legislation. Much of this work could be done within existing staffing levels, meaning few new resources needed.

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(continued)

INDIVIDUAL CRITERIA RATINGS (CONTINUED)

ADMINISTRATIVE FEASIBILITY

Rating: ★★★★★

Establishing a requirement for an energy performance checklist is quite feasible.

- **Few technical or legal challenges appear to stand in the way.** In the residential sector, checklists are generally easier to develop than performance ratings because they don't require quantitative assessments of performance. In the commercial sector, checklists can sometimes be more difficult than performance ratings because buildings vary so greatly: measures that are very suited to one type of building may not be applicable (or most applicable) to other types of buildings. Note that in both sectors, potential legal hurdles concerning disclosing energy use data are absent.

- **Quality assurance can be an ongoing maintenance concern.** Checklist results can vary depending on who completes the assessment. For the best results, a certified energy auditor should complete the checklist, but this can sometimes be nearly as time intensive and costly as an energy audit.

- **Compliance mechanisms may be needed, but potentially difficult to enforce.** If disclosure is mandated, an enforcement mechanism will need to be defined and a public authority must be in charge of monitoring compliance.

STAKEHOLDER IMPACTS

This policy is expected to have the greatest impact on homeowners but the effects can likely be mitigated:

- **Residential homeowners** would be affected financially, as the cost for a performance checklist can be approximately \$100 to \$300. Owners could also be impacted by a policy that required disclosure at time-of-sale, which could potentially delay a transaction, although some jurisdictions allow this responsibility to be transferred to the buyer. Similarly, realtors could be impacted if their clients' sales are delayed or otherwise affected, but checklist approaches are generally considered less of a burden than ratings and are sometimes considered to be easier to understand and less confusing than a rating or label. Homeowners (and realtors) could also benefit from higher home sale prices for higher performing homes.

- **Commercial building owners** would be similarly affected, although many building owners already perform energy audits and the cost is not expected to be as great of a burden.

- **Low-income homeowners** could face particular difficulty with the cost of required performance audits. On the other hand, low-income tenants would stand to benefit from lower utility bills and the potential for greater knowledge about the energy use of prospective rental units. Consideration and quantification of utility cost savings and offering of low-income exemptions have generally been important considerations for low-income residents and their advocates.

ADDITIONAL LESSONS FROM OTHER JURISDICTIONS

Few cities require use of a building energy checklist. A sample of those that do include:

- **Berkeley and San Francisco, CA** both use checklist-type approaches as part of their Residential Energy Conservation Ordinances (RECO). While the checklists have been useful for several years, both Cities are currently considering moving to performance-based ratings due to the ability of ratings to help homes move further beyond the baseline measures set out in the existing checklists.

- **Chicago, IL** provides a home energy checklist audit to low income residents as a piggy-back to three other residential home upgrade programs. City staff are already charged with visiting homes to provide other services (e.g., lead abatement, disability accommodation) and now provide energy efficiency audits in the same visit.

Several cities throughout the country are planning to move forward with checklist-based options:

- **The Denver Board of Realtors** launched a pilot in September 2008 that involves a voluntary home energy checklist to be completed by a contractor (SunPower) as part of a mini-audit. The Denver Board of Realtors is partnering with the City and with a local university in the effort and will provide valuable lessons.

- **Austin, TX** is proposing to develop an in-house, 8-item audit checklist for homeowners. They have not yet received final approval from City Council, but have strong support and are expecting the measure to pass in late 2008.

Key lessons learned:

- Other cities have found that checklists can offer a good middle ground between energy use disclosure and energy audit performance disclosure, at least for homeowners. Checklists offer more "actionable" information than historical energy use yet can be easier to conduct than performance ratings. On the other hand, checklists do not provide as much ability to compare one home to another or to quantitatively assess potential efficiency gains.