



November 27, 2018

City of Minneapolis
350 S. 5th St.
Minneapolis, MN 55415

RE: REALTORS® Support Climate Goals; Oppose Energy Scoring at Time of Sale “TISH”

Dear Mr. Mayor, President and Members of the City Council:

The Minneapolis Area REALTORS® (“MAR”) is a professional association representing more than 8,500 REALTORS® who live and work throughout the Twin Cities. Many of our members are residents of Minneapolis, and many more work with clients who buy and sell homes in the community. Our overall goal is to support the healthy growth of the Twin Cities’ real estate market and help consumers make informed real estate decisions.

Minneapolis Area REALTORS® recognizes and applauds the City of Minneapolis for their record on the ‘Climate Action Plan,’ commitment to sustainability, and dedication to building long-term environmental solutions for all residents. The National Association of REALTORS® engages members regarding sustainability efforts and has recently published their sustainability vision, mission, and outlined their strategic priorities (attached). The Minneapolis Area REALTORS® is transitioning its Green Task Force to be an official standing committee of the Board. Minneapolis Area REALTORS® regularly offers educational opportunities for REALTORS® members on Green Issues, including a very recent class “Is Your [Client’s] Home Energy Efficient?”

Minneapolis Area REALTORS® is clearly committed to sustainability, green, and energy efficiency. MAR has enjoyed an open dialogue with the city and stakeholder groups. However, MAR does oppose new test requirements on ‘For-Sale’ residential property. Adding Energy Scoring to the current Truth-In-Sale of Housing is not the most effective method of achieving home energy efficiency. Our concerns include:

- 1) Presents Barriers to Homeownership—Especially First Time Buyers
- 2) Increases Housing Costs
- 3) Lengthens Inspection Times
- 4) Offers Minimal Range of Effectiveness by focusing on only ‘For Sale’ Homes
- 5) Creates Competitive Disadvantage for Minneapolis Homes
- 6) Expands Original Scope of TISH beyond Health & Safety

While MAR is opposed to new requirements, increased costs, lengthened inspections times and more. MAR is committed to solutions that enhance energy efficiency. We are focused on solutions and we do recommend:

- 1) Increased Ease of Utility Bill Disclosure
- 2) Voluntary Home Energy Audit Programs (i.e. Home Energy Squad)
- 3) Low Interest Fix-Up Fund Programs with Interest Rate Reductions for Efficiency
- 4) Leveraging Multiple Listing Service Data (i.e. Adding New Fields)

- 5) Better Representation of Existing Energy Efficiency Systems in Competitive Market Analysis “CMA’s”
- 6) Strengthened Appraisal Valuations where Energy Efficiency exists

Minneapolis Area REALTORS® is pleased to be meaningfully engaged in this public policy issue. We support climate goals and are committed to more energy efficient residential property. We are opposed to the regulatory policy approach that applies new requirements to the Truth-In-Sale of Housing. We remain open to ideas that will positively impact the environment and make homes more energy efficient. We have been actively involved in meetings with stakeholders on this issue. Ultimately, we believe more innovative approaches abound and are committed to further exploring those options.

Thank you for your attention to this important housing issue. Please feel free to reach out to us should Minneapolis encounter other real estate and housing issues.

Sincerely,



Eric J. Myers, Director of Government Affairs
Minneapolis Area Association of REALTORS®
5750 Lincoln Drive
Edina, MN 55436
p. 952.988.3124
ericm@mplsrealtor.com



ENERGY SCORING AT TIME-OF-SALE “TISH”

Statement on Time-Of Sale Programs

Definition: Point-of-Sale Housing Inspections or “TISH” are defined as any ordinance, law, regulation or rule that requires government inspection of homes for code compliance or other purposes prior to sale.

Minneapolis Area REALTORS® is fundamentally opposed to point-of-sale programs because such programs interfere with individual private property rights. First, the right of property owners to sell, transfer, or convey by deed. Second, the right of buyers to seek an ownership interest in real property. City Inspections are duplicative to the modern real property sales process. Most buyers routinely engage the services of a home inspector. Today’s government backed mortgages require an appraisal and so most transactions are incurring multiple inspections in communities without city inspection programs. Minnesota also has very strong material fact disclosure laws which require the disclosure of any fact that could significantly or adversely affect the buyers’ use and enjoyment of the property. This leaves city inspections as duplicative and unnecessary. [See MAR Standing Public Policy on Point-Of Sale Housing Inspections]

REALTORS® Concerns – Energy Scoring Residential Property at Time-of- Sale

The city of Minneapolis should be commended for their work on the ‘Climate Action Plan,’ sustainability, and dedication to building long-term environmental solutions for all residents. The National Association of REALTORS® is committed to sustainability efforts as well and has recently published their sustainability vision, mission, and outlined their strategic priorities. The Minneapolis Area REALTORS® has created a Green Committee dedicated to similar efforts at the local level. Minneapolis Area REALTORS® is clearly committed to sustainability, green, and energy. MAR has enjoyed open dialogue with the city and stake holder groups and has extensively reviewed recommendations to add energy scoring to the current TISH process. However, MAR does oppose new test requirements on ‘For-Sale’ residential property. Adding Energy Scoring to the current Truth-In-Sale of Housing is not the most effective method of achieving home energy efficiency.

- 1) Presents Barriers to Homeownership – Especially First Time Buyers
- 2) Increases Housing Costs
- 3) Lengthens Inspections Times
- 4) Offers Minimal Range of Effectiveness by focusing on only ‘For Sale’ Homes
- 5) Creates Competitive Disadvantage for Minneapolis Homes
- 6) Expands Original Scope of TISH beyond Health & Safety

1) Presents Barriers to Homeownership

Buyers and sellers should be free to engage in the transfer in real property without unnecessary and undue burdens. City regulations mandating government inspections of homes prior to sale is intrusive and duplicative when compared to modern sales practices. Sellers are inconvenienced, and buyers are left to endure long processes that delay their purchase of real property.

2) Increases Housing Costs

Truth-In-Sale of Housing Inspections currently cost between \$225-\$275 for single family homes. This is in addition to REALTORS® walk thru inspections, private inspections cost between \$350-\$400, and the inspection that accompanies an appraisal, which is required for federally backed mortgaged products like FHA. That's all before adding more items to the city inspections. More tests, including Energy Scoring, will inevitably increase these costs which will be passed to consumer in the form of increased acquisition costs and ultimately higher prices. This runs counter to the city's stated goal on more affordable housing.

3) Lengthens Inspection Times

Adding more tests to the Truth-In-Sale of Housing program lengthens the overall time inspectors spend "on-property." More time spent, conducting more tests, lengthens the process and increases costs.

4) Offers Minimal Range of Effectiveness by Focusing On "For Sale" Homes Only

Only 3.3% of all single-family homes are 'For-Sale' in any given year. Sometimes the same homes go up for sale every couple of years. Meanwhile many homes go 10, 20, or even 30+ years before a new transaction occurs. This clearly demonstrates the ineffectiveness to the housing system overall of requiring energy scoring at the sale. Some homes will have multiple data points over multiple years while most homes will have none. Furthermore, focusing on 'For Sale' Homes ignores the 96.7% of homes that are not and have not been 'For Sale.'

5) Creates Competitive Disadvantage for Minneapolis Homes

Subjecting Minneapolis residential properties to burdensome TISH and Energy Scoring tests while not required in other communities tends to place Minneapolis properties at a competitive disadvantage in the overall Twin Cities Metropolitan regional real estate marketplace. Increased costs, lengthened inspection, result for Minneapolis residents while adjoining communities enjoy a more streamlined real estate sales process.

6) Expands Original Scope of TISH beyond Health & Safety

Conceptually, most TISH or POS programs have a stated purpose confined to health and life safety systems. This is most easily observed in the required repairs section. Inspection criteria are primarily evaluating whether a home system is 'unsafe' or whether such system passes inspection. Expanding TISH inspections into areas that are not primarily focused on health or life safety issues represents a significant expansion of the original scope of TISH programs and ordinances.

REALTORS® are Committed to the Environment and Recommend Alternatives:

Minneapolis Area REALTORS® support climate goals and are committed to more energy efficient residential property. We are opposed to the regulatory policy approach that applies new requirements to the Truth-In-Sale of Housing. We remain open to ideas that will positively impact the environment and make homes more energy efficient. We simply believe more innovative approaches abound and are committed to further exploring those options. We are focused on solutions. We do recommend the following:

1) Increased/Ease of Utility Bill Disclosure

Many Minnesota utility programs voluntarily offer the ability to receive utility bill information for prospective buyers. Of course, this information is subject to receiving permission from the current owner. Furthermore, utility bills do not necessarily accurately represent prospective costs of new owners since usage varies. Nonetheless, statewide changes allowing for more freely exchanged utility bill information could be very helpful information for all buyers.

2) Voluntary Home Energy Audit Programs (i.e. Home Energy Squad)

Home Energy Audit Programs, like ‘Home Energy Squad,’ are among the most effective tools for homeowners looking to make investments and improvements that make their home more energy efficient. Home Energy Audit programs are comprehensive and provide detailed information on potential home energy improvements. Inducements and subsidy to afford their increased costs only further enhance these programs. Since homeowners, by and large, self-select they are more likely to begin completing recommended repairs either immediately or overtime. A current homeowner who plans to continue reside in their home is the most likely to invest in home energy efficiency projects. By contrast, very few sellers are likely to engage in home energy efficiency projects as they are motivated by maximizing their equity position via the sale of their home. Additionally, most buyers, especially first-time homebuyers are looking to minimize their acquisition costs. Voluntary Home Energy Audit Programs have the potential to make more impact because unlike Energy Scoring at TISH it is not restricted to only ‘For-Sale’ Homes but rather are for all property owners.

3) Low/Deferred Interest Payment Fix-Up Fund Programs with Incentives for Efficiency

Home energy efficiency projects, like any home improvement project are costly and subject the owner to some level of disruption of their personal space. Kitchens, bathrooms, countertops and tile rooms can tend dominate home improvements. Programs that encourage energy efficient home improvements, even including financial incentives to do so, can be quite effective. People will invest when subsidized or otherwise offered incentives.

4) Leveraging Multiple Listing Service Data (i.e. Adding New Fields)

The Minneapolis Area REALTORS® and the St. Paul Area Association of REALTORS® are the largest shareholder owners and operate NorthStarMLS. NorthStarMLS supports approximately 20,000 REALTORS® participants in Minnesota and Western Wisconsin. The NorthStarMLS is arguably one of the most robust Regional MLS providers in the country. NorthStarMLS is committed to introducing new tools, features and richer data in order to ensure that subscribers have the best data and technologies available. As a result of being REALTORS® owned and operated. REALTORS® members at Minneapolis Area REALTORS®, St. Paul Area

Association of REALTORS®, Western Wisconsin REALTORS® Association, St. Cloud Area Association of REALTORS® and Greater Lakes Association of REALTORS® all have a say in the operation, form and function of the data. Many features have been added over the years. Examples include True Lifestyle Cost of Living tools, Info Sparks, Rate Plug, and even a customized individual property specific tool alerting REALTORS® and Buyers to the potential existence of Down Payment Assistance at that property location, called Down Payment Resource. Within the last couple of years, HERS energy scores were added as well. REALTORS® suggest leveraging the existing IT infrastructure of NorthStarMLS and potentially adding beneficial fields. There are plenty of potential benefits to home energy efficiency and the marketplace overall. REALTORS® are interested and very well might be the best repository for home energy efficiency information and data.

5) Better Representation of Existing Energy Efficiency Systems in Competitive Market Analysis “CMA’s”

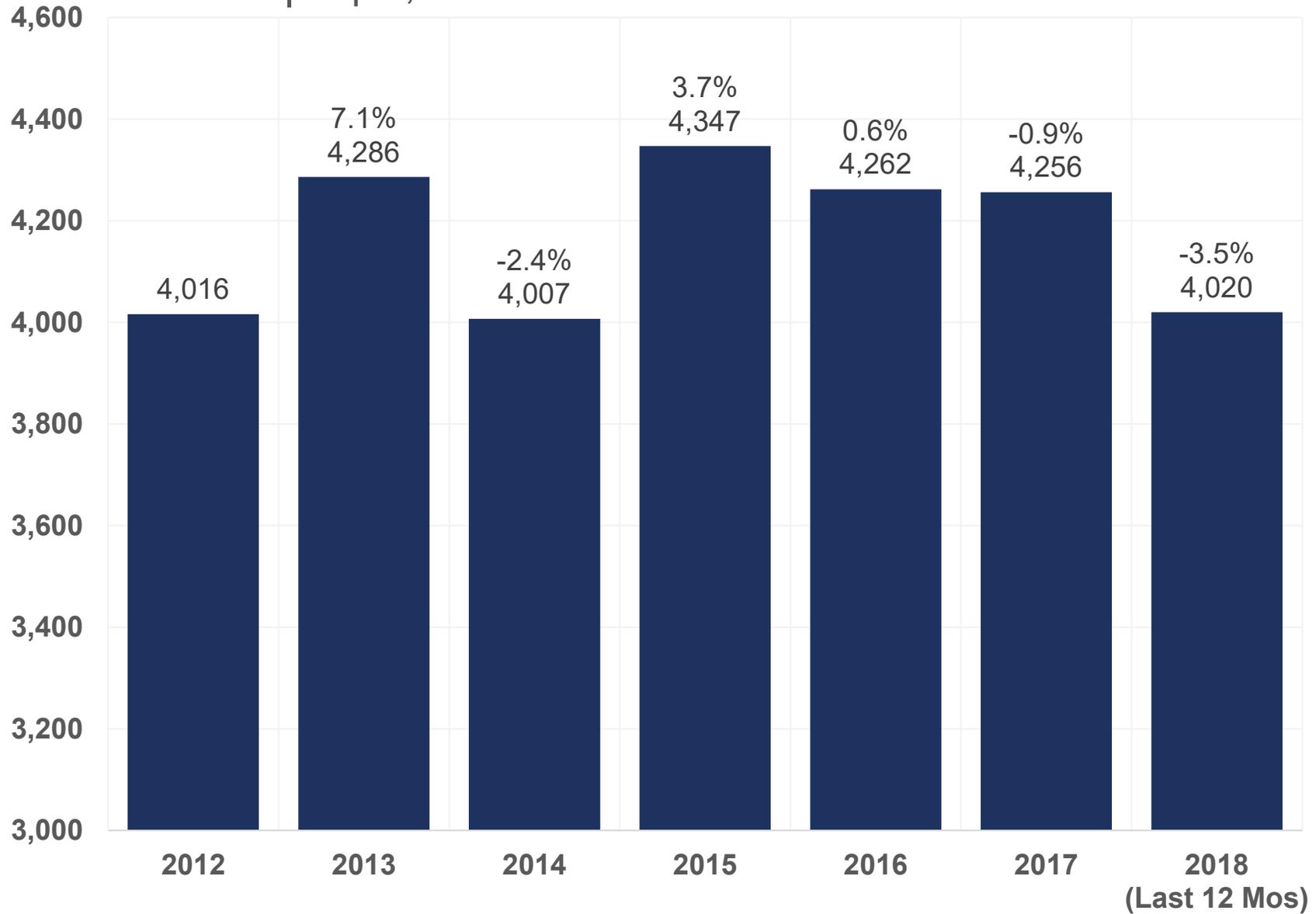
REALTORS® have every interest in home energy efficiency systems. Homes featuring these systems (i.e. Geo-Thermal Heating, Solar Panels, Home Vehicle Charging Stations, Tankless Water Heaters, Continuous Ventilation systems, etc.) generally command higher prices at sale. REALTORS® currently have access to software programs for completing Competitive Market Analysis, known as a “CMA.” A proper CMA compares the subject property to recently sold properties with similar features. Both the quality of comparables selected and the quality of adjustments can impact results when producing a CMA. REALTORS® do have the ability to adjust features of the subject property to more accurately reflect a home’s true value. If a home energy efficiency system exists in the subject property and not in the comparable properties, then the subject property should receive a stronger point and be reflected in the CMA. REALTORS® education and REALTORS® best practices are important here.

6) Strengthened Appraisal Valuations where Energy Efficiency Systems Exist

Similar to REALTORS®, appraisers play an important role determining a property valuation. Regardless, of which approach to valuation is used ‘salient features’ of the subject property are to be considered when determining a valuation. If home energy efficiency system exists in the subject property and not in the comparable properties, then the subject property should receive a stronger valuation. Appraiser education and best practices are important here as well.

Residential Home Sales, Single-Family Only

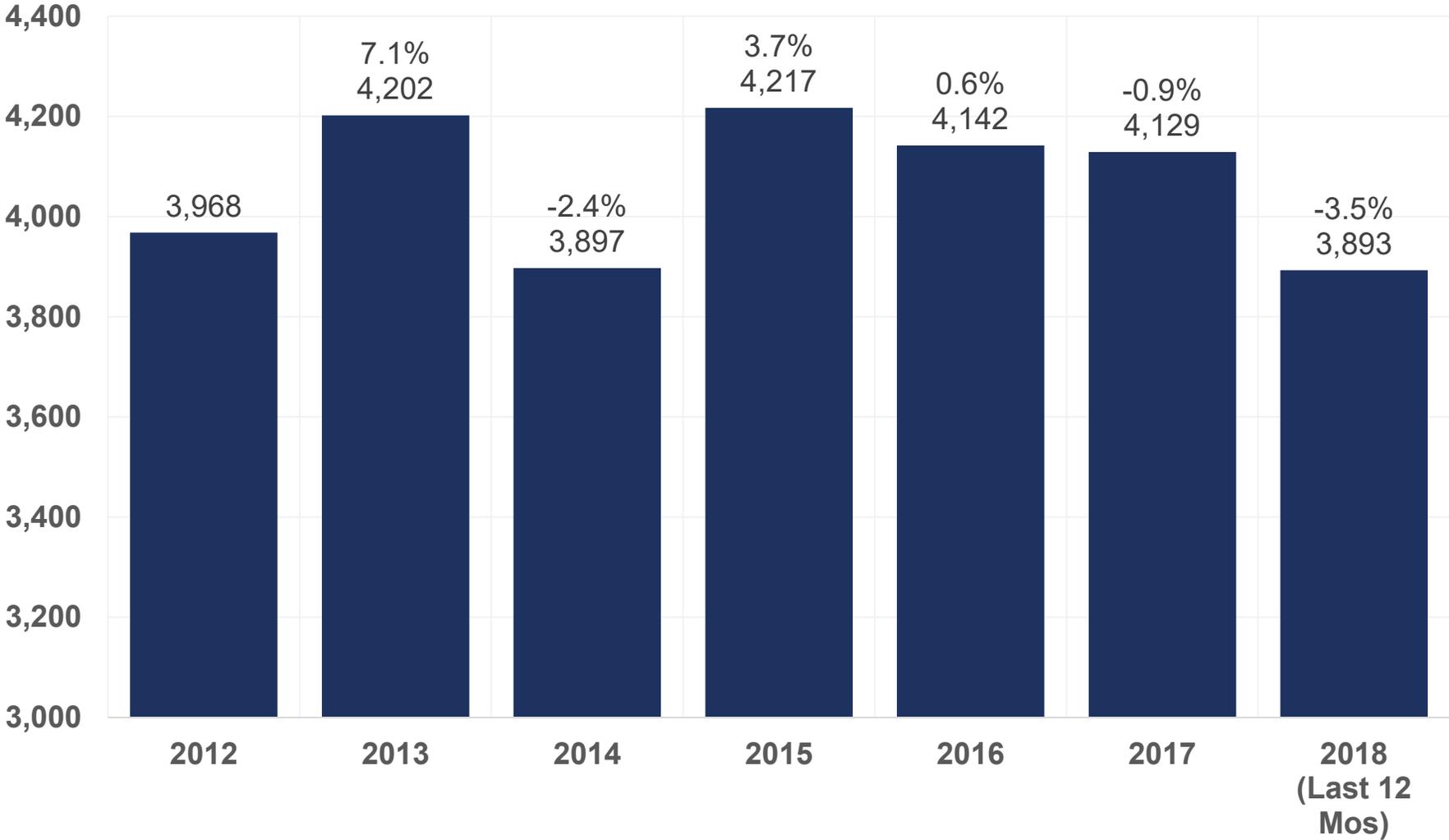
Annual | Mpls, MN



Residential Home Sales

Single-Family, Previously-Owned Only

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NATIONAL ASSOCIATION OF REALTORS®: SUSTAINABILITY PROGRAM STRATEGIC PRIORITIES

Sustainability Vision: REALTORS® thrive in a culture of sustainability that promotes viability, resiliency, adaptability, and resource efficiency.

Sustainability Mission: Provide leadership and strategies on topics of sustainability that benefit members, REALTOR® associations and communities.

PURPOSE	FOCUS	PRIORITIES
<p>The National Association of REALTORS® is a leader in real estate sustainability among real estate agents, brokers, trade associations, and consumers</p>	<p>DEMONSTRATE (CULTURE / SOCIAL RESPONSIBILITY)</p>	<p>PRIORITY – ENVIRONMENT (PLANET)</p> <ul style="list-style-type: none"> I. DEVELOP REAL ESTATE INDUSTRY RESILIENCY, RISK MANAGEMENT, AND DISASTER PREPAREDNESS/PREVENTION STRATEGIES II. DETERMINE BEST PRACTICES FOR ESTABLISHING RESOURCE USAGE BASELINES, REDUCTION STRATEGIES AND GOALS FOCUSED ON ENERGY, WASTE, AND TRANSPORTATION III. CREATE ADVOCACY STRATEGIES THAT SUPPORT ENVIRONMENTAL PRIORITIES WHILE MAINTAINING AND SUPPORTING SOCIAL AND ECONOMIC PRIORITIES IV. DELIVER ENVIRONMENTAL SUSTAINABILITY SPECIFIC EDUCATION VIA NEW OFFERINGS AND LEVERAGES ESTABLISHED NAR PROCESSES, PROGRAMS, SERVICES, DESIGNATIONS, AND ASSOCIATION PARTNERS V. ADD ENVIRONMENTAL SUSTAINABILITY LANGUAGE TO NAR INSTITUTIONAL GUIDANCE DOCUMENTS, SUCH AS CODE OF ETHICS, POLICIES, AND CORE STANDARDS
	<p>EDUCATE & REPLICATE (BENEFITS / RESOURCES)</p>	<p>PRIORITY – SOCIAL (PEOPLE)</p> <ul style="list-style-type: none"> I. INTEGRATE SUSTAINABILITY INTO ALL NAR EVENT, EDUCATION, AND PROFESSIONALISM OFFERINGS II. PROACTIVELY IDENTIFY SOCIAL ISSUES OF IMPORTANCE TO REAL ESTATE (HEALTH/WELLNESS, EQUITY, RESOURCES) AND DETERMINE ASSOCIATED IMPROVEMENT GOALS III. IMPROVE MESSAGING AND COMMUNICATION STRATEGIES TO CONVEY THE IMPORTANCE AND VALUE OF SUSTAINABILITY EFFORTS FOR NAR LEADERSHIP, ASSOCIATIONS, MEMBERS, AND CONSUMERS IV. LEVERAGE A REGIONAL APPROACH FOR ASSOCIATIONS AND NAR’S REGIONAL STRUCTURE TO CREATE AND SHARE SUSTAINABILITY BEST PRACTICES THAT KEEP REALTORS® ESSENTIAL TO CONSUMERS AND COMMUNITIES V. DEVELOP SUSTAINABILITY AWARDS AND RECOGNITIONS TO ENCOURAGE ADOPTION AMONG MEMBERS AND REALTOR® ASSOCIATIONS
	<p>ADVOCATE (AWARENESS / ENGAGEMENT)</p>	<p>PRIORITY – ECONOMIC (PROFIT)</p> <ul style="list-style-type: none"> I. UTILIZE REAL ESTATE DATA AND BEST PRACTICES TO DEMONSTRATE THE TOTAL COST OF OWNERSHIP AND HIGHLIGHT THE ECONOMIC AND COMMUNITY ADVANTAGES OF SUSTAINABLE DEVELOPMENT II. EMPHASIZE HOW SUSTAINABILITY PRIORITIES FIT WITH NAR’S ADVOCACY EFFORTS AND INCREASE AWARENESS, ENGAGEMENT AND FINANCIAL SUPPORT FOR THESE PRIORITIES (ENVIRONMENT/SOCIAL/ECONOMIC) III. INVEST IN AND SUPPORT SUSTAINABILITY BUSINESS PLANNING PRACTICES THAT INCREASE EXPERTISE, PROVIDE RESOURCES, AND ENSURE FUTURE ECONOMIC RELEVANCE FOR MEMBERS AND ASSOCIATIONS IV. DEVELOP OPERATIONAL PRACTICES FOR ALL NAR FACILITIES WITH A GOAL OF RESOURCE REDUCTION AND IMPROVED EFFICIENCY (ENERGY, WASTE, ETC.) THAT CAN BE MODELED FOR ASSOCIATIONS AND MEMBERS V. ADVOCATE FOR AND PROMOTE THE VALUE OF SUSTAINABLE HOUSING OPTIONS AND REAL ESTATE JOB GROWTH FOR THE ECONOMY, MEMBERS’ BUSINESS, AND ASSOCIATION MEMBERSHIP