Report to the

House Committee on Energy and Environment

related to

House Bill 2801

(2013 Regular Session)

Presented By:

Appraiser Certification and Licensure Board

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As required by Section 15 (2) and ORS 192.245, the Appraiser Certification and Licensure Board presents this report for the Committee's consideration.

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BACKGROUND

During the 2013 Session, the Oregon Legislature passed House Bill 2801. The bill involves a variety of state agencies working together to encourage and facilitate updating the energy efficiency of buildings in Oregon. Although primarily aimed at establishing inspection and rating criteria as well as licensing and regulation of home energy assessors, HB 2801 also requires the Appraisal Certification and Licensure Board (ACLB) to determine ways to improve the education of state licensed and state certified appraisers with respect to assessing the value of improvements made to a building that make the building more energy efficient, and consider the implementation of a program whereby state licensed or certified appraisers can obtain certification for the purposes of preparing, completing and issuing an opinion on the value of improvements made to the building that make the building more energy efficient.

The requirement that licensed and certified appraisers consider improvements made to a building located on real property and estimate the improvements' contributory value to the whole property is consistent with a longstanding basic tenet of appraisal theory. Thus, the concept of identifying energy efficient components and developing an opinion quantifying their estimated contributory value can be an important component of the development of an opinion of value of the whole property.

A survey of states by the Virginia Real Estate Appraiser Board in 2012 indicates that while all states require continuing education for appraisers, only four states mandate continuing education in defined, non-elective topics other than a 7-hour professional standards course. Two of the states required a 2 or 3-hour course in appraisal law, one required a report writing course and one required a renewal course. None of the states required courses involving energy efficiency or renewable energy equipment.

A variety of designated green building and energy efficient building and/or remodeling programs have been available in various forms for nearly two decades. A major limitation of these programs has been the lack of continuity of terms and definitions among the various participants and a lack of quantifiable data concerning market reaction to green and/or energy efficient buildings. Many times proponents of the various component options acknowledged that the construction and remodeling costs of green or energy efficient components were greater than "conventional" construction but often there was no corresponding data to quantify whether buyers in the marketplace would pay additional money for the components or features.

Other impediments for appraisers involved lack of standardized definition of products, components and materials utilized in green and energy efficient buildings, lack of data for measuring energy efficiency and lack of an effective data base for making consistent data available for appraisers in the development of their value opinions.

The federal government and several industry-related professional organizations began to provide opportunities to address some of the confusion and lack of data in the industry. For example, the ENERGY STAR program, a collaboration of the U.S Environmental Protection Agency and the U.S Department of Energy was introduced in 1996 to primarily address components such as major home appliances, heating/cooling equipment, home electronics, lighting and windows as well as a voluntary energy efficiency platform for home builders. The Model Green Home Building Guidelines is a program developed by the National Association of Home Builders (NAHB) in 2004. The program is based on a checklist and point system for components to be independently rated.

RESEARCH FINDINGS

The Appraisal Practices Board (APB) was formed by the Appraisal Foundation in July 2010. The APB is charged with the responsibility of identifying and issuing opinions on recognized valuation methods and techniques, which may apply to all disciplines within the appraisal profession. The APB already is developing guidance related to the valuation of green buildings.

The Appraiser Qualifications Board (AQB), which establishes the minimum national standards each state must implement for appraisal continuing education, added the "valuation of green buildings" as an identified continuing education topic for its *Real Property Appraiser Qualifications Criteria,* effective in 2015.

The 2015 AQB criteria referenced above will require that four appraisal pre-license education Core Curriculum courses include instruction on the valuation of energy efficient equipment. The national AQB appraiser licensing examination, required of all Oregon applicants, will also include questions on this subject.

In addition to its licensing-related activities, the ACLB is responsible for reviewing and approving course providers and educational programs for appraisers, both for qualifications for initial licensing and for continuing education for license/certification renewal. A listing of ACLB-approved courses is available on the ACLB website. The approved courses for continuing education cover a broad range of topics including green buildings and energy efficiency. The ACLB currently has approved green and/or energy conservation and efficiency courses offered by proprietary schools, such as SEEC, LLC, the Appraisal Institute, McKissock and the Earth Advantage Institute. Some of these proprietary schools are offering a green certification or designation. A listing of the specific approved courses is included in the Addendum of this report.

The Appraisal Institute (AI), the nation's largest professional appraisal organization, has been active in developing "green" valuation materials. In September 2011, the AI developed a "Residential Green and Energy Efficient Addendum" for appraisers to use in analyzing the presence of and contributory value of energy-efficient features. The form was developed for use as an Addendum to the Federal National Mortgage Association's ("Fannie Mae") most common residential appraisal report form.

The AI recently has initiated a professional development program for members in the Valuation of Sustainable Buildings. The program is designed to lead to a level of competency in a specialty area and provides for participants who successfully complete the program to be included on a national registry on the AI website. The development program involves completion of four courses: "Introduction to Green Buildings," "Case Studies in Appraising Green Residential Buildings," "Residential and Commercial Valuation of Solar" and "Case Studies in Appraising Green Commercial Buildings."

Earth Advantage Institute offers a three-day course where the participants will earn the Accredited Green Appraiser (AGA) designation. The course includes course material, case studies, site visits and certification exam. Earth Advantage also is in the process of finalizing ACLB course approval for a Sustainable Homes Professional designation, a program that will include 84 hours of instruction. Information concerning the Earth Advantage accreditation programs is included in the Appendix of this report.

On the local level, the ACLB Interim Administrator has actively sought to network with various agencies and organizations involved in energy conservation and energy efficient buildings. Activities have included attending meetings and presentations of the Oregon Construction Contractors Board, Earth Advantage Institute, the Greater Oregon Chapter of the Appraisal Institute and the Oregon Home Builders Association.

The Interim Administrator recently attended and participated in the Oregon Real Estate Transaction Stakeholder Meeting where various businesses and organizations came together to share their 2014 plans, goals and opportunities for collaboration in educating real estate brokers, lenders, appraisers, builders and consumers on energy efficiency and green homes. The following businesses and organizations were represented at the stakeholder meeting: Home Performance Contractors Guild, Earth Advantage, Watkins & Associates, SEEC LLC, Home Builders Association of Metropolitan Portland, Department of Environmental Quality, Oregon Realtor's Association and Energy Trust.

Participation in these types of networking activities will continue to enable the ACLB to improve its awareness of programs and educational offerings that are developed and to better enable the ACLB to serve as a resource to appraisers interested in improving their competency in this specialty area.

CONCLUSION

The ACLB supports HB 2801 because there is reasoning to believe its implementation will result in an objective, quantifiable comparison of the energy efficiency of different buildings, a tool appraisers have lacked until now. We believe this tool will enable appraisers to better measure market reaction to the differences between energy scores just as they do with other differences in physical characteristics between properties.

The ACLB issues credentials signifying that the holder of the credential has met the national minimum requirements set forth by the AQB. Holding a license/certification credential does not certify that an appraiser is competent to appraise a specific property type or a property with specific physical features. For example, an appraiser may have the education and experience to competently issue a value opinion on a large commercial property but may not be competent to value a truck fueling center. Further, not all appraisers choose to appraise every type of property.

It is not feasible for the ACLB to determine the competency of an appraiser to perform an appraisal on every particular type of property. Appraisers who are not qualified to appraise green homes are required by the Uniform Standards of Professional Appraisal Practice (USPAP) Competency Rule to decline or withdraw from those types of appraisal assignments until they do acquire the necessary competency. Thus, the ACLB believes that certification of competency of appraisers who value property with energy efficient features could be misleading to the public as well as exposes the State to liability.

However, based on review of various industry resources, the ACLB concludes that existing organizations and entities active in the "green" or building energy efficiency arena are well positioned to continue to develop meaningful data bases and continuing education programs to meet the needs of the various industry participants including licensed and certified appraisers.

RECOMMENDATION

Green building and energy efficiency are, in many respects, a developing industry. The ACLB includes a small number of staff already tasked with a number of important responsibilities. The Board believes that rather than devoting staff time and limited resources to initiate a program to develop specialized coursework, its resources would better be spent on efforts to monitor and evaluate the continuing education courses and curriculum of public and private institutional providers and to help with networking and promotion of existing and new programs as they are developed in the non-governmental arena rather than establish what likely would be duplicative courses to compete with the non-governmental sector which appears far better positioned to address this specialty area.

ADDENDUM

Green Course Providers	Course Name	Hours	Expiration Date
SEEC, LLC (Social Environmental and Economic Consulting)	Green Home Trends and Appraisal Methodolgies	7	N/A*
APIN (Apprasial Institute)	Case Studies in Appraising Green Commercial Buildings	15	05/06/14
	Case Studies in Appraising Green Residental Buildings	8	N/A*
	Case Studies in Appraising Green Residental Buildings (on-line)	8	07/06/15
	Introduction to Green Buildings: Principles and Concepts (on-line)	8	07/06/15
MKDS (McKissock)	Introduction to Residential Green Buildings for Appraisers (live webinar)	4	07/20/14
	Modern Green Building Concepts	6	04/05/16
	The Green Guide to Appraising	7	N/A*
	The Green Guide to Appraising (live webinar)	6	06/17/16
	The Nuts and Bolts of Green Building for Appraisers (on-line)	3	05/14/16
ERTH (Earth Advantage Institute)	Appraising Green Homes: Advanced Applications	7	N/A*
	Appraising Green Homes: Construction Methods and Trends	7	N/A*
	Appraising Green Homes: Valuation Techniques	7	N/A*
	Earth Advantage S.T.A.R.	16	N/A*
	Green Homes and the Green Homes Market	2	N/A*

* NO EXPIRATION DATE

Appraiser Professional Designation

The **Accredited Green Appraiser (AGA)** course is the optional third-day accreditation course designed to provide participants' with a deeper understanding of green building and help them analyze how energy efficient features and upgrades can increase the appraised value of a home. Participants will analyze valuation studies and cost data for green residential projects, and will engage in appraising green homes and upgrades through case studies. Participants will earn the Accredited Green Appraiser (AGA) designation. Earth Advantage Institute provides marketing support to help AGAs gain access to new business opportunities.

Course Topics

- Analyze green home valuation studies and cost data
- Appraise high performance homes and upgrades through case studies

Learning Objectives

At the end of this course, participants will be able to:

- Apply course material to appraisal case studies.
- Identify the most appropriate comparable sales available using cost and quality of construction data.
- Apply energy efficiency adjustments to appraisal assignments as necessary.
- Apply appropriate quality of construction and utility adjustments in the sales comparison approach when necessary, using market and cost data as appropriate.

Benefits

- Accredited Green Appraiser (AGA) Manual and Resource Guide
- Valuation data and studies
- AGA professional designation and use of logo
- Personalized listing on the Earth Advantage website

Prerequisites: Appraising Green Homes or equivalent coursework. Education providers seeking approval should contact Earth Advantage to learn more.

Course Length: One day (7 clock hours). Note: Includes certification exam.

Continuing Education: Approved in AL, OR, VA, and WA. EAI can seek approval in other states.

Appraiser Program Delivery Options

	Appraising Green Homes (AGH)	Accredited Green Appraiser (AGA)
Course Structure	Day 1: Green Building Overview Day 2: Valuation Methods + Site Visits	Day 1: Green Building Overview Day 2: Valuation Methods + Site Visits Day 3: Case Studies + Accreditation Exam *Day 3 Alternative: Appraisers complete and submit an appraisal project remotely and complete online accreditation exam*

Program Objectives:

- Train appraisers about green building practices and appraisal strategies for valuing energy efficient and green features of a home
- Accredit appraisers in order to signal to lenders, Appraisal Management Companies (AMCs), builders, and real estate professionals an appraiser's expertise in green appraisals
- Provide a solution to a common barrier in green building market transformation

Program Partner Testimonial:

"Earth Advantage Institute has been our best educational partner, bar none. We constantly hear from local professionals that EAI's real estate or appraiser training was the best class they've ever taken in their professional career. When we talk about market transformation, it starts here."

- Daniel Tait, Program Manager, Nexus Energy Center (Huntsville, AL)

Course Participant Testimonials:

"The Appraising Green Homes workshop was one of the most informative and interesting classes I have taken as an appraiser. It was great to have someone fully explain the how and why of the elements of sustainable housing. I have already recommended this class to other appraisers who were unable to attend this past class. I am now confident with my evaluation of green and energy efficient elements in my appraisals."

- Denise M. Devore, Certified Appraisals, LLC

"Taylor's hands-on approach to green building valuation technology is presented in a language appraisers can easily understand and utilize. Your education, time and money could not be better spent than on this course."

– Catherine Dorgan, Dorgan Appraisal, Inc.

"Of all the continuing education classes I have had to take to maintain four different professional licenses I had over a twenty-year period, Taylor's class is my favorite by far!"

Real Estate Professional Training

The **Earth Advantage® Broker** accreditation course gives real estate professionals the knowledge and skills to communicate with clients about the value and benefits of a new or remodeled green home. Participants will be able to identify which home features and building products provide greater energy, water, and resource efficiency and create a healthier living environment for their clients. The two-day course provides an overview of different home energy rating systems and green home certification programs, and offers participants a hands-on exploration of green building techniques and products through green home site visits. This course provides real estate professionals with an understanding of the green home consumer market segments and prepares them to market and sell green homes and upgrades to consumers with varying values. Participants completing accreditation will earn the Earth Advantage® Broker designation. Earth Advantage Institute provides marketing support to help EA Brokers gain visibility as informed professionals, and ongoing networking opportunities through the EA Broker LinkedIn group and alumni events.

Course Topics

- Defining sustainability
- The House as a System
- Indoor air quality
- Energy efficiency
- Water efficiency
- Green materials
- Green building techniques for new and existing homes
- Green certification programs
- Energy rating systems
- Marketing green homes and upgrades to consumers with varying values
- The role of the Multiple Listing Service
- Green home financing, appraisal, and insurance
- Marketing yourself as a sustainable real estate professional

Learning Objectives

At the end of this course, participants will be able to:

- Identify the pillars of green building and the benefits of each pillar
- Distinguish between conventional materials and their more sustainable alternatives
- Translate green features of a home into benefits
- Explain the purpose of home energy assessments and performance metrics
- Identify resources available for financing, appraising and insuring green homes
- Target marketing messages to consumers with varying attitudes and needs

Benefits

- Earth Advantage® Broker Manual and Resource Guide
- Two site visits to energy efficient labeled or certified green homes
- Earth Advantage® Broker Accreditation (professional designation), personalized profile listing on Earth Advantage website and use of logo
- Professional differentiation in the marketplace with green home knowledge and marketing skills

Course Length: Two days (12 clock hours). Note: The morning of the second day is dedicated to site visits.

Continuing Education: Approved for continuing education in OR, WA, AL, VA, NV, and AZ (pending). EAI can seek approval in other states.

Program Partner Testimonial

"Earth Advantage Institute has been our best educational partner, bar none. We constantly hear from local professionals that EAI's real estate or appraiser training was the best class they've ever taken in their professional career. When we talk about market transformation, it starts here."

-Daniel Tait, Program Manager, Nexus Energy Center (Huntsville, AL)

Course Participant Testimonials

"I just completed an AMAZING training with Earth Advantage--- WOW! As a real estate broker, an EcoBroker® and past treasurer of the US Green Building Council Southwest Virginia chapter, this was one of the clearest, most practical, easiest to digest, and most fun certification courses ever! I will be able to apply the content directly to my work as a REALTOR® here in the Roanoke and New River Valleys of Virginia. Thank you Earth Advantage for a crystal clear view into home energy efficiency and the world of sustainable building. It was a pleasure!"

-Tracey Lockwood, Green Lynx Realty

"Wonderful and pertinent class! The Earth Advantage Broker program is an indispensable tool for REALTORS to professionally represent the new trends in building and design, and is invaluable in helping us to educate our clients on the durability, safety, and cost effectiveness of green products, practices, homes."

- Jenifer Jepson, The Hasson Company

"Earth Advantage opened a door for me as a REALTOR to the ways and whys of responsible 'green' building practices and standards. The material and resources that Earth Advantage introduced are universal and serve as a guide for me in my relationships with clients."

- Susan MacKinnon, Eastern Shore Maryland Homes

Appraiser Training

Appraising Green Homes is a two-day course designed to build participants' knowledge of energy efficiency and green building. The course provides an introduction to all phases of sustainable residential construction, from proper siting of a home to finish material selection. Participants will learn about energy labels and how they can be used to support energy efficiency programs in their area. Participants will also analyze valuation studies and cost data for energy efficient residential projects.

Course Topics

- History of sustainable building
- Five pillars of green residential construction: site development, water efficiency, energy efficiency, materials selection and indoor air quality
- Green building certification programs
- Home energy labeling and rating systems
- Energy audits
- Recent green building market research
- Market, highest and best use analyses
- Cost approach: data gathering and green vs. code costs
- Sales comparison approach: data gathering, analysis and adjustments
- Appraisal addenda and appraisal reporting on green homes and upgrades

Learning Objectives

At the end of this course, participants will be able to:

- Explain the differences between "energy efficient", "green" and "code" homes.
- Describe the market and regulatory forces at work in the sustainable housing market and how they affect appraisers.
- Access the most recent valuation data on high performance homes.
- Apply appropriate adjustments to high performance homes when necessary.
- Describe how energy upgrades made through local home energy audit and retrofit programs can increase the appraised value of a home.

Benefits

- Appraising Green Homes Manual and Resource Guide
- Valuation data and studies
- Site visits to two energy efficient or green homes

Course Length: Two days (14 clock hours). Note: The morning of the second day is dedicated to site visits.

Continuing Education: Approved for continuing education in AL, MA, NV, OR, VA, and WA. EAI can seek approval in other states.