

## **ORDINANCE NO. NS -**

### **AN ORDINANCE ADDING BEND CODE (BC) TITLE 18, ENVIRONMENT AND NATURAL RESOURCES AND ADDING BC CHAPTER 18.10, RESIDENTIAL ENERGY PERFORMANCE RATING AND DISCLOSURE**

#### Findings:

- A. The amendments create Bend Code Section 18.10, Residential Energy Performance Rating and Disclosure. The purpose of this chapter is to provide information to homebuyers about residential building energy performance. This information is designed to enable more knowledgeable decisions about the full costs of operating homes and to motivate investments in home improvements that lower utility bills, reduce carbon emissions, and increase comfort, safety, and health for homeowners.
- B. To provide context for this new program, the 2021-2023 Council Goal Framework plan includes an environmental and climate goal to “Improve quality of life for more people in Bend by increasing equitable access to clear air, water and to a healthy environment. Implement solutions that fulfill the City’s commitment to being good stewards of our natural environment, decreasing carbon emissions and mitigating the effects of climate change.” This goal includes a strategy to implement the Bend Community Climate Action Plan (CCAP). To implement this goal and strategy the plan includes an action to review and consider implementing recommendations from the Environment and Climate Committee (ECC).
- C. The CCAP, adopted in 2019, created a roadmap to achieve the City of Bend’s greenhouse gas reduction goals of 40% by 2030 and 70% by 2050. Energy in buildings contributes 54% of emissions in Bend, making it the largest area of opportunity for greenhouse gas reductions and a top priority for climate action. Residential energy use contributes the majority of building-related greenhouse gas emissions, at 51% of the total of building-related emissions. Therefore, encouraging residential energy efficiency and renewable energy is critical achieving Bend’s climate action goals.
- D. One of the key actions in the CCAP to promote residential energy efficiency is action EB3A: Develop a home energy score (HES) program that allows homes to be compared based on their energy use and energy efficiency, leveraging industry stakeholders, the US Department of energy standard home energy scoring tools, and industry best standards.
- E. The ECC was tasked with developing a recommended HES program as part of the FY21-23 Council Goal Work Plan. The ECC worked to develop the program for one year between November 2021 and October 2022 through a Home Energy Score Subcommittee that held five public meetings and presented to the Council Stewardship Subcommittee twice. Members of the ECC, City Staff and Earth Advantage also held an Open House Question and Answer Session on August 1, 2022, with a presentation and opportunity for public questions and feedback by the person(s) best able to

respond. The City also solicited feedback about the program from the public through an online form.

F. On October 13, 2022, the ECC voted unanimously to recommend that the Council adopt a HES program that requires obtaining and disclosing a home energy assessment for every home sold in Bend, using the United States Department of Energy's (USDOE) Home Energy Score tool and leveraging the Oregon Department of Energy's (ODOE) partnership with the USDOE. The recommendation includes creating a low-income assistance program, limited exemptions from the requirement, and a compliance pathway for new construction.

G. The City Council agrees with the ECC that disclosure of information about building asset energy efficiency is important for consumer protection, especially when purchasing a building and considering the affordability and long-term cost of utilities. The Council agrees with the ECC recommendations to create a low-income program, with the proposed limited exceptions, and to include a compliance pathway for new construction.

H. The City Council further agrees that the benefits of mandatory energy efficiency disclosures include increases in price capitalization of energy efficiency and encouragement of energy-saving residential investments in the housing market, potentially shifting the market to favor energy efficient homes which may lead to reductions in carbon-intensive energy use.

I. A recent study conducted by the Lawrence Berkeley National Laboratory of over 26,000 homes, which have used the DOE Home Energy program, findings demonstrated statistically significant results of improved energy efficiency, improved homeowner cash flow, correlation between a home's score and sales price and a reduction in the odds of a home loan going delinquent only when the HES assessment was required at the time of sale. From the study's abstract:

Energy-efficient homes save their occupants money through lower energy bills. These savings might be capitalized into higher home sale prices. They also improve the household's net cash flow, which might make households better able to pay mortgage debt. The U.S. Department of Energy (DOE)'s Home Energy Score (HES) assigns a 1-10 score to homes and estimates annual energy bills based on modeled energy consumption. In this paper we investigated the relationship between HES metrics and two housing market outcomes: home sale price and mortgage performance. **We found that the relationship was only statistically significant in places with a mandatory HES assessment at the time of sale.** Using a sample of 26,291 home sales that occurred after HES assessments, we found that a one-point increase in HES in these locations was associated with a 0.5% increase in sale price, and an increase in \$100 of estimated annual energy bills was associated with a 0.4% decrease. This magnitude of effect is consistent with estimated magnitudes of home sale premiums for other green or energy-efficient home certifications in the literature. We also found that a one-point increase in HES was associated with a 5.5% reduction in the odds of a loan going 30 days delinquent if the loan originated

after the assessment occurred. Similarly, we found that a \$100 decrease in estimated annual energy bills was associated with a 2.3% decrease in the odds of a loan going delinquent if it originated after the assessment occurred. Our results suggest that HES provides a valuable signal for housing market transactions in specific situations. [emphasis added]

<https://escholarship.org/uc/item/1nk4z84d>

J. A 2019 study from a E2e, a joint initiative of the Energy Institute at Haas at the University of California, Berkeley, the Center for Energy and Environmental Policy Research at the Massachusetts Institute of Technology, and the Energy Policy Institute at Chicago, University of Chicago, examined the effects of the Energy Conservation Audit and Disclosure ordinance in Austin, Texas. The study found that requiring home sellers to provide buyers with certified audits of residential energy efficiency increases price capitalization of energy efficiency and encourages energy-savings residential investments.

K. This data supports the ECC recommendation for a mandatory program, because a voluntary program would not achieve the desired positive outcomes or the City's primary goals of reducing Bend's green house gas emissions from residential energy use.

L. Based on research from other cities including Hillsboro, Portland and Milwaukie, the approximate cost is \$150-275 for a Residential Energy Performance Rating.

M. The number of home energy assessors licensed, trained and prepared to do a Residential Energy Performance Rating must be sufficient to meet the market demand for the number of daily home listings on the real estate market.

N. The Council recognizes that this is a new program. With this in mind, the Council anticipates the need to evaluate the program to determine whether it is effective and remains in line with current and future Council goals and community priorities. Staff is directed to monitor the cost of home energy scores. If the cost of the Residential Energy Performance Rating becomes excessively burdensome, or the number of home energy assessors licensed, trained and prepared to do a Residential Energy Performance Rating is not sufficient to meet the market demand for the number of daily home listings on the real estate, and therefore the turnaround time is unreasonable long, market then staff is directed to bring the program back to Council so Council can consider whether to reevaluate the program.

### **Based on these findings, THE CITY OF BEND ORDAINS AS FOLLOWS:**

Section 1. Bend Code Title 18, Environment and Natural Resources and Bend Code Chapter 18.10, Residential Energy Performance Rating and Disclosure are added to the Bend Code as shown on the attached Exhibit A.

Section 2. All other provisions of Bend Municipal Code remain unchanged and in full effect.

Section 3. The effective date of this ordinance is July 1, 2023. The City Manager is directed to determine with a sufficient number of assessors are available to run a successful residential energy performance rating program, and delay implementation if it is determined that property owners will be unable to get assessments within a reasonable timeframe.

First Reading:

Second reading and adoption by roll call vote:

YES: NO: ABSTAIN:

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Gena Goodman-Campbell, Mayor

Attest:

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Robyn Christie, City Recorder

Approved as to form:

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Mary A. Winters