

# Home Energy Rating Disclosure

## Frequently Asked Questions

### What is the Home Energy Rating Disclosure (HERD)?

In short, the HERD Ordinance would require that homes in Ann Arbor acquire a [Home Energy Score](#) (HES) prior to being listed for sale. The goals of this requirement are to:

- Enhance consumer protections by providing information about the full costs of operating a home prior to purchase; and
- Provide a clear pathway to safer, healthier, more comfortable, and more efficient homes.

In Ann Arbor, 23% of our carbon emissions come from residential buildings. As a part of the A<sup>2</sup>ZERO plan, the Office of Sustainability & Innovations is working hard to reduce building-related emissions, whether they're from residential, commercial, or public buildings. With different programs for different building types, HERD focuses only on single-family homes.

### What is the US Department of Energy (DOE) Home Energy Score (HES)?

Using a standardized 1-to-10 rating system, the [Home Energy Score](#) provides simple, comparable, and credible information about a home's energy consumption. The HES was developed by the DOE and it's like the miles-per-charge/per-gallon rating on a car – it's clear, it helps you understand what you're getting, you can expect to see it on every car for sale, and you probably wouldn't by a car without one. The score simply equips homebuyers with the information they need to make an informed decision about possibly the largest investment of their lives.

In short, the score is based on things like the home's envelope (the separation between “inside” and “outside”, like the foundation, roof, walls, windows, insulation), the HVAC systems, and water heating. The higher the score, the more efficient the home. But it's not just a number! The HES report includes specific recommendations for how to improve the score with projects that have an expected payback of 10 years or less. That means the HES can help home buyers and homeowners plan for energy costs & make strategic investments in their home's energy efficiency.

The HES is valid for 8 years or until any major changes are made to the home. We encourage everyone who owns a single family home in Ann Arbor to get a HES, even if they don't yet have plans to sell.

### What score do I have to get to comply with the HERD ordinance?

To be clear, there is no specific score that must be achieved under this ordinance. The requirement is to simply obtain any score. This ordinance is not a performance standard. That said, the HES has shown “additive” value for homes – cities that have similar requirements demonstrate that in some cases, homes with high scores can sell more quickly and for slightly more favorable prices to the seller. Having a low score typically has no negative effect on the home's sale timeline or selling price.

Once again, the HES can provide insightful information about your single family home. If you own, consider getting a score today!

### How does HERD address equity concerns in the homebuying process?

One of the primary goals of the HERD Ordinance is to help protect home buyers from unexpected energy costs associated with inefficient homes. Families who face energy burden spend more than [6% of their](#)

[income](#) on energy. In Michigan, low-income residents spend on average [15% of their income](#) on energy bills. These households are disproportionately low-income families with children, black, indigenous, or people of color, and seniors. By requiring home sellers to disclose the energy efficiency of their homes, it can protect home buyers from purchasing a home that would otherwise be beyond their means to heat and cool. Additionally, the HERD Ordinance contains section 8:606, which is a waiver program that can be used if an unexpected burden or event occurred which prevented someone from getting their HES.

## Why does HERD tie the DOE's HES to the sale of my home?

HERD has been designed to protect consumers by providing more complete information about the full costs of operating a home prior to purchase. That said, the requirement to get a HES isn't inherently tied to the home sale process; homes that already have a valid HES don't need to re-score before being listed for sale, so we encourage all single-family homeowners to consider getting a HES before they sell. Part of the purpose of the OSI's goal to score all homes in Ann Arbor is to get homes scored before they enter the home sale process. Home Energy Scores are valid for 8 years (or until any major changes are made to the home), leaving plenty of time to score before you sell.

## Why use the US Department of Energy (DOE) Home Energy Score (HES)? Are there other energy assessments I could get?

The [Home Energy Score](#) is standardized and regulated by the DOE, so the scoring process and report information is reliable and consistent across all types of homes. The HES assessment is relatively quick and the report is designed to be easy for homeowners to understand.

There are certain assessments that homeowners can consider which go above and beyond the HES requirements (like a HERS rating and/or a blower-door test). These ratings and assessments can be very detailed and, while they are certainly valuable, they usually require more time and cost to complete. There are also certain assessments that homeowners may find helpful, but that will probably not meet the minimum requirements for HERD, like the free energy consultations provided by energy utility companies in Michigan. While we certainly encourage homeowners to take advantage of those resources, homeowners must also be sure to receive a Home Energy Score report from a HES-certified Assessor to comply with HERD.

## What is a blower door test, and is it required by the HERD?

A blower door test uses special diagnostic equipment in the doorway of your home to measure airtightness. While this test can provide useful information about how to improve your home, it is not part of the Home Energy Score and therefore not required and it will not be included with the free assessments. The HES is sufficient to provide potential home buyers with a basic understanding of a home's energy efficiency.

That said, you may still be interested in getting a blower door test for the value it provides. Many private HES assessors may also possess the qualifications and equipment to conduct a blower door test and you certainly may get one if it suits your needs.

## What if my home can't receive a blower door test (e.g. asbestos in the HVAC system)?

A blower door test is not required by the HERD ordinance. For safety, please seek/follow the guidance of a professional if your home has deemed your home unsuitable for a blower door test.

## I have an old home – do I have any hope of achieving a high score?

First, the HERD does not require homes to achieve a certain score – any score obtained will be complaint.

Second, the score of a HES assessment is more influenced by the size of the home than the age of the home. According to the DOE, older homes can still be high performers and often achieve a wide range of scores. Because the scoring process considers the home's assets, generally speaking, smaller homes will tend to score higher.

## What if the person selling the home was a high energy user? Won't that bias the score?

Historical energy consumption data is often times available to homebuyers from the utility, however, the total quantity of energy consumed is not necessarily an accurate representation of how efficiently energy was used. Historical data can vary wildly and doesn't consider family size or certain types of energy uses. However, the efficiency performance of a building, as demonstrated through the HES, will remain the same from owner to owner.

## Will the HERD affect the affordability of homes on the market in Ann Arbor?

A [U.S. Department of Energy report](#) analyzing communities where homeowners were required to secure Home Energy Score assessments before selling their homes found that final home prices were 0.5% higher for every 1-point increase in the DOE's 10-point HES scale. Similarly, they found that final home sale prices were 0.4% higher for every \$100 decrease of the Home Energy Score's estimated utility bills.

Additionally, according to the National Association of REALTORS® [2023 Sustainability Report](#), 75% of survey respondents said a high performance home had either "no impact on dollar value compared to other similar homes" or they were unsure of the impact, and 21% of respondents indicated some degree of increase (between 1%-15%) of dollar value.

## Will this add **cost** or **time** to the home sale process? Are there enough energy assessors to meet the HES **demand** this ordinance may create?

The OSI is dedicating dollars from the Community Climate Action Millage to hire a full-time home energy assessor to do **free** assessments for residents. We expect this person to be hired in September 2023, so they'll be ready to go long before this ordinance would take effect.

On top of that, the OSI has been coordinating with local energy service providers to help meet the expected demand that may exceed the ability of the soon to be hired Energy Assessor. This includes meeting with firms that could be put under contract to offer additional help during high demand periods and working with those firms to hire additional capacity to ensure they are ready to support the program as needed. Furthermore, these firms have agreed to work with the City on additional workforce development (i.e. training additional assessors) to grow both Ann Arbor's and the region's energy assessment labor field.

According to the [2023 Sustainability Survey Report](#) published by the National Association of REALTORS®, "42% of respondents said they believed homes with green certifications... spent neither more nor less time on the market", with 49% saying it was unclear. Combining this information with what other cities with HES requirements have reported, we do not anticipate the HERD ordinance will add any time to the sale of a home.

Apart from the HERD ordinance, the OSI has a goal to get all homes in Ann Arbor scored using the HES. As it relates to HERD, this means that getting homes scored *before* they decide to sell means it's not a non-issue come listing & sale. Combined with the workforce expansion, the OSI expects assessment turnarounds of no more than 3-5 days. Of course, this timeframe is zero for homes that already have a valid HES. Finally, homeowners will not be required to use the City's energy assessor and may use the open market for alternative HES assessment options.

## How will the HERD make a difference? What's being done beyond the ordinance to support energy efficiency and electrification projects after a home sale?

The OSI is developing a suite of programs, incentives, and initiatives to help make the energy scores actionable. To start, in November of 2022, Ann Arbor residents passed the local Community Climate Action Millage, which will enable the OSI to offer incentives for energy efficiency and electrification improvements in our homes and businesses across the city. OSI staff are hard at work to get these rebates ready for roll-out (expected late 2023/early 2024).

Additionally, in August 2022, the US Congress passed the Inflation Reduction Act (IRA). This law makes billions of dollars available specifically for energy and climate change, including generous rebates and tax incentives to improve energy efficiency and make electrical improvements in our homes. The tax incentives are already available, [according to the IRS](#), and the rebates in Michigan are expected by early 2024.

These and other financial resources make energy improvements to a home more accessible than ever. Moreover, the OSI has prepared outreach materials for residents, real estate agents, and energy service providers to help make improvements that reduce carbon emissions achievable.