



## Highlights from the RESNET 2023 Conference

This year the conference was very much focused on programs and policy. Here are some notes:

Steve Baden announced that the VA has passed an act, [H.R. 2617](#), that requires that energy efficiency is factored into VA loans. This means that the VA is now using Energy Mortgages which require a HERS Rating to be approved (HERS Ratings are actually written into the bill). This can be for a new construction home or for an existing home. It can be for a home that is already energy efficient or one that needs energy improvements. This will expand the market for HERS Ratings across the country and provide many opportunities for expansion into energy improvement analysis and oversight for HERS Rating companies.

Mark Johnson from the ICC shared some information about the evolution of energy codes. His motto is, “What gets inspected, gets perfected.” He discussed the large percentage savings we are seeing in the energy codes and stated, “Codes were originally developed to protect our buildings from nature. Now we have to protect nature from our buildings!”

Rob Wick from Meritage Homes shared their studies and insight into the “BTR” market. BTR stands for Build to Rent. He stated that about 20% of the single-family homes now being built are for the BTR market and it is growing. They used to see one house in a subdivision earmarked for BTR, now they are seeing entire BTR subdivisions. The driving force is retirees that want to downsize and move near their kids and grandchildren. They are more able to purchase available small single-family homes than Gen Z and Millennials because they have more purchasing power and credit. They are snapping up what is available on the market and the younger purchasers are not able to afford to compete. The market needs more affordable, smaller homes and more rental units because the Gen Z and Millennials also are looking for places where they have the ability to move quickly if needed.

Jon Passe from the EPA presented about the 45L Federal Tax Credit. He stated that they have now received an official IRS ruling that ENERGY STAR **Certification** is required to obtain the tax credit. The wording in the act itself is somewhat unclear, however, with this ruling, the tax credit is specifically tied to the property being certified. Another change is that the builder, rather than the Rater, is now the person who must sign the statement under penalty of perjury that the certification has been received and the property qualifies for the tax credit. The date the home is **acquired** is the date used for eligibility, not the permit date. The home must be acquired on or after 1/1/2023 to utilize the new federal tax credit. To achieve the higher level of tax credit, DOE ZERH (Zero Energy Ready Home) certification must also be obtained. **Permit date** does govern which version will be used for the DOE ZERH credit eligibility. Prevailing wages must be used for the highest levels of tax credits. The IRS released new guidance on prevailing wages as well.

John Passe clarified that a project must meet both the National and Regional ENERGY STAR requirements to qualify for the tax credit. Territories are not eligible. The requirements used for

ENERGY STAR for the tax credit are frozen for a 2-year period for single-family homes and for a 3-year period for multifamily properties. This can cause confusion, but the [energystar.gov](http://energystar.gov) website has a [new section focused on the Federal Tax Credit](#), to help sort it all out.

Environmental Social Governance (ESG) is a term you will be hearing more and more. This is part of reporting requirements for several programs. Part of ESG is being able to quantify energy use and carbon emissions from your work. RESNET is responding to requests for this type of information by working to update the National Registry to include Projected Ratings and to allow builders to see their own homes in the Registry. They are working on a current issue that the Registry has that it will 'park' and hide homes if the address is not found by USPS. This needs to be corrected before Projected Ratings can be added.

RESNET also has finalized the first iteration of their Carbon Index. This will be used as a large component of ESG reporting. The Carbon Index is already automatically produced when a HERS Index is finalized. This helps understand carbon intensity by location and grid. The next step is to include embodied carbon which will incorporate utility make up (percentage of energy supplied by wind and solar and other renewable resources). This is more important to builders, developers, Fannie Mae, etc. as they focus on ESG requirements. When the energy is used as well as how much and where all figure into these calculations, which is why the hourly engines were needed. This allows a tie into the hourly analysis by NREL (National Renewable Energy Laboratory) which provides the data.

The Carbon Index uses the same reference as the HERS Index and the reference home is always an all-electric home for the carbon index. This will provide a better indicator for programs of carbon saved and is much more granular than the HERS Index. The Carbon Index helps builders gain more insight to their products, core principles, and value. It helps them provide answers to questions from investors and accountants.

Alice Rosenberg from the Consortium for Energy Efficiency (CEE) stressed that all HERS Rated homes have a Carbon Index. She asks that you share this with your builders. The shift toward electrification is causing a shortage of transformers. Utility programs fastest growing priorities are carbon and water reduction – these will be their top priorities within 10 years as they move away from Demand Reduction. Much of this shift is being driven by the desire to promote more electric vehicles; and so, more demand, not less. She stressed that Photovoltaics (PV) are not fully incorporated or recognized by energy codes or ENERGY STAR, but PV is fully included in the Carbon Index.

Steve Baden stressed several times that the RESNET Carbon Index is already available for every HERS Rated home. There is no additional training, certification, or cost involved, it is a report you can provide right now. To learn more about the Carbon Index, [check out this page](#) from the RESNET website.

The Leading Builders of America shared some insights into the coming housing market. Interest rates have begun to drop; however, the stock is low. They estimate the housing market is short by 2 million to 6.5 million homes. This is the lowest supply of single-family new homes since 1982. They estimate that in order to get the housing market back on track, income for individuals needs to increase by 60% or home prices need to fall by 40% or mortgage rates need to fall by 4.5%.

The construction industry is now largely past the COVID challenges; however, they are now facing electric transformer challenges. There are 100,000 homes across the country that are not being built or are not able to close due to the lack of transformers.

They are also facing a staffing shortage. They state that to get more workers, we need to fix immigration and we need to make the industry attractive to young people. “We need to teach young people to be extraordinary in what they are interested in rather than teaching them to be mediocre in what they are not interested in.”

There is also a housing crisis in communities of color. Home ownership is currently 29% lower for blacks than for whites. This is 2% lower than in the year before the Fair Housing Act became law!

RESNET has added a new category to its list of people and companies the organization wants to recognize. This year introduces the inaugural class of RESNET© Recognition of Woman Pioneers in HERS® Industry. These are all woman who have played a critical role in the growth and success of the organization and the HERS® industry. These women, including our own Sharla Riead, are female trailblazers who provide inspiration for future leaders. The [inaugural class](#) was recognized during the conference.

The next RESNET Conference event will be held in Washington, DC at the Madison Hotel from May 1, 2024 – May 2, 2024. It will focus on making your voice heard in DC. This will include a trip to Capitol Hill to meet with our Representatives to discuss the 45L tax credit and the implementation of the VA Home Loan Program as well as how a focus on energy and carbon fit into safety, security, and resiliency goals for our country.