

Colorado “Greens” the MLS

In early 2010 the Colorado Governor’s Energy Office (GEO) formed the Residential Retrofit Working Group to reduce the barriers to energy-efficient building and energy retrofits for existing residential properties. That group quickly realized that financing for these energy-efficient and/or “green” projects is crucial and not readily available. The state has substantial one-time Recovery Act funding (ARRA) to create incentives, but the GEO and the working group want to ensure that the financing tools continue to work after the Recovery Act money is gone. These desires quickly lead down a path quite familiar to real estate professionals. Financing requires willing lenders, lenders require appraisals to underwrite their loans, and appraisers need market data to support their valuation estimates. Residential appraisers look to the local market and Multiple Listing Services (MLSs) for that data. The working group quickly established an “Appraisal and MLS Subcommittee” to address the valuation challenge on a statewide basis.

This effort to green the MLS was undertaken on a statewide basis to promote appropriate standardization of terminology and data collection formats. While MLS data and valuation decisions are definitely localized, a common vocabulary and the ability to aggregate data on a statewide level are viewed as valuable. Searchable fields were identified as a very important element for identifying properties for potential buyers as well as for valuation searches by appraisal professionals. All conclusions of this group are designed for voluntary adoption at the discretion of each participating MLS and are also designed to provide flexibility for potential local variations. While many progressive MLS operators across the country have adopted green fields for their specific system and service territory, the statewide cooperative nature of the Colorado process has been unique.

This subcommittee is comprised of appraisers, real estate brokers, lenders, representatives from several of Colorado’s MLS systems, representatives from the US Green Building Council (USGBC-Colorado), a large local electric and gas utility, local and state government staff including code officials and economic development officials, builders, retrofit contractors, and real estate education professionals including representation from the EcoBroker Certified® professional designation. From mid-April to mid-July, the group developed a brief set of guidelines that the GEO could propose to the 18 different MLS groups in the state.

Several key elements really assisted the cooperative spirit within the subcommittee. Colorado’s largest MLS providers, Information and Real Estate Services, LLC (www.ires-net.com) represented by CEO Lauren Emery and Metrolist, Inc. (www.metrolist.com) represented by Sr. Manager, Marketing and Sales, Melissa Olson immediately agreed with the need for “green” fields to make these property features and characteristics accessible to agents and appraisers. They were willing to assess the barriers to implementation and start the process of addressing those barriers. These MLS executives have also willingly begun to contact the other MLS organizations across the state to bring them into the process. Note that it is not a discussion at this point; it is an implementation process. The Colorado GEO was also willing to help defray some implementation cost for smaller MLS programs with funding in the form of a grant.

With the willing cooperation of the MLS systems, the subcommittee discussed and identified the reliable and verifiable characteristics that could be included into data fields. The suggestions included in the Green MLS Toolkit at www.greenthemls.org were very helpful in this initial process. The most prominent third party verified green building and energy performance certifications made the top of the list. The GEO is suggesting that MLSs collect data on HERS ratings including the index, ENERGY STAR® Qualified homes, Leadership in Energy and Environmental Design (LEED) for Homes certified properties, the National Green Building Standard-ICC 700 certified homes, and an open field for “Other” limited to third party certified programs. In every case, the MLS is asked to capture the date of measurement or certification and listing agents are to upload copies of the confirming documents. Third party verified certifications and ratings were selected for early adoption as

searchable fields because they offer clear measurement guidelines. Real estate professionals, appraisers, and MLS officials all considered these clear guidelines to be an important consideration for professional risk reduction.

Colorado has abundant sunshine (the Chamber of Commerce made me put that in), so the GEO is also suggesting fields to identify homes that have solar PV (with the Kilowatts and the year installed) and Thermal Solar (the type and the year installed). In addition, there is a suggested check box to be labeled “Energy/Green Features Addendum” designed to alert agents and appraisers that the listing agent has included further features or documentation in an addendum. While everyone on the committee recognized that there are many more features that could be identified, all agreed that this is a good place to start capturing reliable objective data. The features list can be expanded in the future.

The subcommittee agreed that agents, lenders, and appraisers also need education to understand the proper use of these data fields. The GEO has supported the development of several training modules to support the implementation and ongoing operation of the green MLS fields. The training materials are designed to adapt readily to the needs of different MLS systems that may implement these changes in different ways. EcoBroker and USGBC-Colorado are taking the lead in developing training modules to be ready as the first systems “go live” with these new data fields. The MLS providers and the REALTOR® Associations they serve will likely be the organizers of the training delivery. The materials will also include a glossary of the terminology describing these specific fields. The contractors and energy raters on the committee have helped to confirm the technical information required for accurate and objective representation.

The role of the GEO is critical because it reaches across the entire state and attracts the cooperation of diverse professional groups and interests. As a neutral facilitator, the GEO staff has organized the effort and coordinated this effort with many other projects of the Residential Retrofit Working Group. The guidance from a well-regarded interested entity with no specific commercial agenda has been crucial. For example, in early August, the GEO sponsored an Colorado Energy Efficiency Finance Summit attended by several hundred lenders, contractors, appraisers, and real estate brokers. Lenders were informed of the availability of programs and loan types to support green building and retrofit projects. The results of the Appraisal and MLS Subcommittee work were reported to this group.

Clearly, the organizing force of the Colorado GEO and the cooperation of multiple stakeholders is moving this project forward. Some MLSs have already implemented suggested fields and more are projecting implementation during 2011. The cooperation of Colorado MLS executives and boards is paving the way for consumers to get the benefits of accurate valuation when they sell, buy, and improve energy-efficient and/or “green” properties. Capturing market information about the transactions involving these properties will allow appraisers and lenders to recognize the value of higher performing homes in appraisals and loans. The end result will be more economical, comfortable and safe homes marketed for their high quality features. Accurate representation with searchable market data will make this work.

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