



# New Jersey BPU Request For Information Response

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Thank you for the opportunity to provide additional ideas for consideration regarding the State of New Jersey's design of the Inflation Reduction Act's (IRA's) Home Efficiency Rebates (HOMES) and Home Electrification and Appliance Rebates (HEEHR) programs. We commend New Jersey's intention to leverage these funds to those who need them the most and believe our perspective may help in designing programs. In addition to the public comments filed in this docket on January 12th, 2024, we would offer the following supplemental input as you continue your work on these programs.

Pearl Certification is a third-party certification services provider focused on transforming the market for energy-efficient, high-performing homes at a scale that will make a real difference in the increasingly urgent efforts to mitigate the climate crisis. With a track record of certifying over 210,000 homes in 49 states, including over 4,200 in New Jersey, our expertise lies in bridging the gap between energy efficiency and real estate.

The leadership team at Pearl brings a cumulative 200 years of experience in energy efficiency and renewable energy, having played key roles in developing federal programs and managing leading home performance initiatives across the U.S. We are a proud partner of the DOE's Home Energy Score and the only national sponsor of Home Performance with ENERGY STAR.

Pearl is prepared to help the State of New Jersey meet the third-party post-installation certification requirement of the HOMES program and serve as a cornerstone of the state's Market Transformation Plans for both rebate programs. Outlined below are our ideas for consideration on how our services can contribute to the state's goals and help drive robust, scalable, and sustainable demand for energy-efficient, high-performing homes in New Jersey. They primarily are:

1. Consider third-party certification as a market-based solution for both programs
2. Strike the balance of being good stewards of public funds while making programs accessible to contractors

We appreciate the opportunity to comment and look forward to a continued dialog with the state as you prepare to submit your application.

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## (1.) Consider National Third-Party Certification as a Market-Based Solution for Both Programs

A disconnect between the real estate and energy efficiency industries has long limited the potential market impact of residential efficiency and electrification programs. Certification can help bridge this gap and overcome other long-standing market barriers by making the upgrades visible and ensuring that they are accurately valued. If you ask an energy efficiency expert whether energy-efficient homes should be more valuable than comparable non-efficient homes, they almost invariably say they should be. And yet, if you talk to almost anyone who has made their home more efficient and sold it, or to the average real estate agent, they will tell you that efficient homes don't sell for more. Addressing this disconnect within your program design is critical for accelerating market adoption and establishing sustained financial and market investment in the residential energy efficiency industry.

Consumer sentiment suggests efficient homes should come with a higher price tag. Studies, both national and regional, carried out by a range of reputable firms, including the National Association of Realtors ([NAR, 2023](#)) and the National Association of Home Builders ([NAHB, 2021](#)), consistently show that homeowners value efficient homes and efficient home features. Many respondents say that they would pay more for efficient homes; however, the energy efficiency features are rarely factored into the value of a home. This is partly because real estate agents lack the tools to market high-performing homes' benefits to their clients. Appraisers also lack the data they need in the appropriate format to assign value to a home's efficient features.

The Pearl Certification Report is a comprehensive, straightforward solution detailing retrofit specifics, rebate-supported installations, projected energy outcomes, and supporting accurate valuation. Thousands of consumer interactions and extensive research over many years have produced a format that households and real estate agents like and use because they helped develop it. It is fully deployed, market-tested, and efficiently meets the IRA's statutory requirements for a post-install certificate of rebated improvements made under the HOMES program.

A well-designed certification report can effectively communicate a home's energy-efficient features in a way that resonates with homeowners, landlords, and tenants. By focusing on benefits, not just features, a certification report serves as an effective communication tool to help everyone associated with the property understand much more about it. It also aids real estate agents in marketing and enables appraisers and lenders to assign value. The fundamental idea behind third-party certification as a critical component towards market transformation is straightforward: a quality certification makes the energy-efficient and other high-performing features in a home visible and exciting to homeowners, home buyers, as well as current and prospective tenants. This data, if and when it is connected to real estate and appraisal practices, translates into tangible additional home value. Each time a Pearl Certified home appraises for more, it validates the performance-improving investments the owners made.

For homeowners and landlords, this is a critical market signal for other building owners: when efficiency translates into home equity and market competitiveness, they have a powerful new motivation to improve efficiency. This equity creates options for homeowners and landlords in several directions, accessing the additional equity through a now-larger home equity loan, commercial loans or lines of credit backed by the building's equity value, and/or, in the event of a sale, through increased appraisal value and increased sale prices. Third-Party Certification enables potential buyers to quickly



identify and compete to purchase these buildings, informed and confident that real energy savings and non-energy benefits are included in the price they pay.

For tenants, a clear and robust certification can also uniquely explain the benefits of the IRA-rebated upgrades being made to their building in language that resonates with them. In many instances, this helps them understand where their cost-savings in their utility bills are coming from. In other instances where landlords are paying utility costs and capturing the savings, being able to highlight for tenants the other non-energy benefits a program is delivering, including increased health and comfort as appropriate, is crucial. All of this information contributes to increased interest from both tenants and landlords to further take advantage of energy efficiency programs.

Pearl has published a [white paper](#) to help detail how third-party certification drives market transformation.

### *Building Wealth in Under-Served Communities*

Too many people live in inefficient, uncomfortable, and unhealthy buildings. For low-income communities, these factors carry a disproportionate burden. Homes in disadvantaged communities are routinely undervalued by the real estate industry. A [2018 Brookings Institute study](#) found that homes in majority Black neighborhoods were undervalued by \$48,000 per home on average. This presents a dual issue: a housing stock that needs significant investment but one with residents that are unlikely to receive the full benefits from energy efficiency upgrades in terms of wealth creation.

New Jersey's commitment to reaching energy-burdened households aligns with Pearl's mission to make our global community a better place by giving households tools to improve the health, comfort, efficiency, resilience, and value of their homes. Increased comfort, health, and affordability in under-invested communities are but one part of the responsibility and imperatives toward social and environmental justice. We are committed to working with stakeholders to help remove the technical and practical barriers to efficiency and performance for every housing type, in every community.

The ability to translate home performance upgrades into home equity is particularly important for a low-income owner-occupied building or unit, where even a modest increase in home equity has more significance than an upper-income household. For lower-wealth households, an increase in their home's equity directly contributes to building individual generational wealth. This form of increased value is preferable in contrast to that which is driven by speculative outside capital, a root cause of gentrification.

What community residents in under-served neighborhoods want is access to capital themselves so that they can improve their communities and stay in place – and enjoy modest wealth building. The transformational effect of driving more demand for high-performing homes also translates to more low-income households having access to high-performing homes and enjoying their benefits, including lower monthly operating costs and lower monthly payments. A certification that integrates with the real estate market, helps increase wealth for low-income households and keeps that wealth in their communities.



## (2.) Strike the Balance: Being Good Stewards of Public Funds in a Way That Contractors Can Support

In our partnerships with contractors across the country, it is clear they are concerned about the potential for increased complexity and broad needs for training, at a time when new skills and new contractors are needed, in every state. Expanding work into under-invested communities will require new tools to increase accessibility and promote flexibility for contractors in the field. As the sole national sponsor for the [DOE Home Performance with ENERGY STAR](#) (HPwES) program, we know HPwES is a robust model for program quality assurance and workforce standards that includes a pathway to quality that also helps contractors build their businesses. The program holds contractors accountable for quality work through clear and understandable standards, promoting positive customer experiences. Atlantic City Electric, Elizabethtown Gas, New Jersey Natural Gas, PSE&G New Jersey, and South Jersey Gas are all examples of existing programs in New Jersey that demonstrate these qualities.

Aligning QA/QC requirements with existing DOE-approved frameworks avoids redundancy and ensures contractors adhere to recognized industry standards. Our experience implementing virtual QA with our contractor network in the model of HPwES has shown us how Virtual QA reduces barriers to contractor participation, increases the speed at which work and rebates can be completed and issued, as well as prevents potentially overburdensome in-person visits to a participant's home. Additionally, the program supports contractors taking a 'high value' instead of a 'lowest cost' approach with their business. This approach encourages businesses to invest in their workers and systems for long-term sustainability and positive outcomes for employees and customers.

As a Home Energy Score (HES) Partner and a DOE-approved HES QA Provider and Assessor, we offer customization of our Home Certification Reports to include HES or similar energy performance scores where applicable. These scores can be thought of as valuable "Miles-Per-Gallon" metrics, and to extend the car metaphor, a certification report is akin to the "Carfax" in that it tells you everything else about the car in addition to its MPG. We recommend that if HES is included in your IRA program design, that it be offered within a certification that facilitates the valuation of the home at the time of sale. A third-party certification like Pearl is the ideal packaging that allows home energy scoring labels to be properly incorporated into the marketing and sale of the home.

Additionally, to enhance market engagement and support an accurate valuation of energy-efficient homes, we recommend New Jersey utilize certifications that are included in the [Real Estate Standards Organization](#)'s (RESO) Data Dictionary. RESO's Data Dictionary 2.0 provides a consistent framework and language for real estate agents, empowering them with tools to navigate the sale process effectively. The Data Dictionary ensures uniform inputs across local Multiple Listing Services (MLS), fostering consistency and accuracy in presenting energy-efficient homes to local markets. Pearl Certification is recognized within the Data Dictionary, a critical ingredient for making meaningful changes in the real estate market, as this recognition is the only way for the certification and its attributes to be visible on the national platforms people use to find and buy homes across New Jersey, like Zillow and Redfin.

Finally, we know that appraisers are critical to delivering equity value, as they directly assign the value to energy efficiency improvements. Appraisers need clear and accurate data presented in an



industry-accepted format. Each Pearl Home Certification Report includes a completed [Appraisal Institute Green and Energy Efficient Addendum](#) with information about the home's energy efficiency assets to support the appraiser's opinion of value. It's of utmost importance for all improvements to be included in this standardized addendum so that value is properly and equitably assigned to current or prospective owners.

### Conclusion

Thank you again for the opportunity to share our perspective in support of New Jersey's execution of the IRA rebate programs. We feel strongly that New Jersey has a clear opportunity to set in place powerful new measures, as part of your nation-leading programs, that capture the value of every investment and create a lasting demand for, and access to, high-performing homes for your residents that need it the most. We look forward to discussing these ideas at any time.

Please feel free to contact Jordan Elliott at 573-310-1956 or [Jordan.Elliott@pearlcertification.com](mailto:Jordan.Elliott@pearlcertification.com) for more information.