



Climate action plans

Background

California's elected officials have set binding targets to reduce statewide greenhouse gas emissions to 80 percent below 1990 emissions levels by 2050. Executive orders by Governor Arnold Schwarzenegger and Governor Jerry Brown, as well as major legislation such as Assembly Bill 32 of 2006, set forth the comprehensive requirements, including a recommendation that local governments adopt goals to achieve a 15 percent reduction in emissions between 2010 and 2020. After 2020, local governments are also expected to continue making progress toward the 2050 statewide goal.

In order to achieve these goals, many local governments are adopting climate action plans that lay out concrete steps both the public and private sectors must take in the areas of energy efficiency, water conservation, renewable energy, waste management and alternative transportation. Some have contemplated requiring sellers of residential real estate to update buildings with energy-efficient windows, insulation, air conditioning, water heaters and other systems prior to sale.

Analysis

Efforts to fight climate change on a local level are well-intentioned, and some elements of climate action plans are common-sense steps that local communities can take to make a difference. Requiring energy and water retrofits at the point-of-sale do not meet that common-sense standard. Some of the proposed mandates in early drafts of the City of San Diego's Climate Action Plan could easily have cost \$3,000 to \$4,000 per home, placing an unmanageable financial burden on the seller that would reverberate throughout the housing market.

Proponents of these mandates argued that the energy retrofits would increase the value of the home, thus offsetting the up-front cost. That argument, however, assumes that the seller has sufficient capital to make the retrofit before sale. Many homeowners in San Diego are still underwater on their mortgages. In some cases, they are forced to sell and absorb a loss due to major life events such as unemployment or the death of a family member. Even among those who are not underwater, many are simply unable to obtain the credit necessary to make such a significant investment. With expensive retrofit mandates, these sellers would effectively be unable to sell their homes.

Furthermore, increasing the cost of a home by requiring expensive retrofits at the point-of-sale has the effect of reducing the accessibility of home ownership. Research has shown that for every \$1,000 increase in the price of a home in California, approximately 20,000 fewer households are able to afford home ownership. Given the affordability problem already facing residents in San Diego and much of California, new point-of-sale mandates would reduce the buying power of homebuyers.

Position

The Greater San Diego Association of REALTORS® opposes any measure that would require sellers to make retrofits to reduce water or energy consumption prior to sale. The association instead supports incentives and other voluntary measures to help communities reach sustainability goals.

