



CALIFORNIA ASSOCIATION OF REALTORS®

December 4, 2008

20X2020 Agency Team
c/o State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

RE: Comments on "Conceptual Draft Technical Memorandum Task 5 – Potential Conservation Savings from New Actions"

Dear 20X2020 Agency Team Members:

Thank you for the opportunity to provide comments on the proposed new actions being considered to help reach the goal of 20% reduction in urban water use by 2020. The quantitative assessment of new regulatory initiatives in the Conceptual Draft Technical Memorandum Task 5 - Potential Conservation Savings from New Actions dated November 12, 2008 (TM 5), recommends retrofit-upon-resale ordinances and legislation to address inefficient plumbing fixtures, appliances and irrigation systems. The California Association of REALTORS® believes that the retrofit-upon-resale approach is doomed to fail and largely for the reasons detailed below. However, we believe that the goal of 20X2020 is possible utilizing one or more of the alternative approaches we present at the conclusion of this letter. We respectfully request that these or other alternatives to retrofit-upon-resale be considered for the final draft of TM 5.

Time-of-Sale Takes Too Long. About 70% of California's existing housing stock was constructed prior to the implementation of water efficiency standards in 1992. With less than 25% of all existing homes estimated to change hands before 2020, only a comprehensive broad-based approach will effectively reach the pre-1992 homes. These older homes are less water efficient than homes built today, so no other approach makes sense, especially within the time frame of 20X2020.

Lack of Metrics. While models and forecasts can attempt to conceptualize potential savings from reduced water usage, in practice, it will be impossible to track and measure savings from water efficiency interventions if done at time of sale. Each home and yard is unique in its water use efficiency and physical attributes, so retrofits and upgrades will not be uniform. Local ordinances compelling water efficient retrofits at time of sale are often times neither documented nor tracked, therefore making actual water efficiency improvements and usage reductions impossible to measure and account for. As California moves toward the goals of 20X2020, a comprehensive, systematic approach to urban water use efficiency and the development of the appropriate metrics to track compliance are needed.

Renters Overlooked. Almost 40% of Californians live in rental housing. Time of sale mandates primarily affect owner-occupied single-family homes. As a result, millions of Californians will not be affected by such a mandate, and therefore will neither benefit from water use efficiency upgrades nor contribute to the growing need to conserve water. In addition, renters with limited incomes and resources are the very population that could stand to benefit the most from lower water bills.



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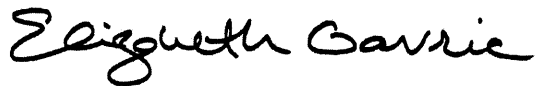
Transactions Are Time-Sensitive The retrofit-upon-resale approach suggested in TM 5 is not sensitive to the escrow process. When a homeowner begins the evaluation or audit and improvement process, they must first find and employ an auditor. The auditors then need to visit and rate the home then provide a report with recommendations and cost estimates. Homeowners are then tasked with making the changes which may include finding and bidding a variety of different specialized contractors to implement the recommended upgrades and retrofits. Once the improvements have been completed, any required code enforcement and third party verifications will take even more time to complete. In the context of a home sales transaction, these obligations are unreasonable and overly burdensome. The ability to complete an audit and subsequent improvements outside of escrow can make the difference between a workable and unworkable program. In addition, REALTORS® are concerned about time of sale mandates and their effect of loading new costs on the transaction. Increased transaction costs are in conflict with housing affordability and these costs come at the worst possible time in the ownership cycle.

REALTOR® Liability. REALTORS® take their disclosure responsibilities seriously and they have a good track record of performance, if they have a user-friendly way to discharge their responsibility. Similarly, we are not water conservation experts, do not want to be the “water cops” in a transaction, and will not be the guarantors of some other contractors or experts work product.

A Better Alternative. In keeping with the goals of 20X2020, we respectfully suggest that the key to improving water use efficiency in existing homes lies in a broad, statewide approach that would reach all California homes in a more aggressive time frame. This can be achieved either by state and local governments partnering with utilities to target the existing housing stock, or as is suggested in Section 1.3 of TM 5, legislating mandatory compliance for all homes before 2020. To deal with the negative impact of “front end” costs, we suggest the use of public good funds, grant programs, and/or cost-avoidance financing repaid via a utility billing to reasonably address the cost issue. Regardless of the approach, we believe that there is a better alternative to retrofit-upon-resale and we would be delighted to discuss these or other alternatives with you.

We will lend our efforts to making a more proactive approach work, and look forward to collaborating with all interested parties.

Thank you for your consideration,



Elizabeth Gavric
Legislative Advocate

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