



Setting the Standards for
Home Energy Efficiency

Minutes of RESNET Board Executive Committee Meeting May 5, 2020

Members Present

David Beam
Philip Fairey
Matt Gingrich
John Hensley
Nancy St. Hilaire

Members Absent

N/A

Staff Present

Steve Baden
Emma Bennett
Cardice Howard

Call to Order

The meeting was called to order by RESNET Board President Matt Gingrich at 3:02 p.m. Eastern Time.

Roll Call

Philip Fairey called the roll of the executive committee. All members were present.

Approval of Agenda

David Beam made a motion to approve the agenda. Philip Fairey seconded the motion. The agenda was approved by voice vote.

Reminder of RESNET Anti-Trust Policy

Matt Gingrich reviewed the RESNET Anti-Trust policy, which was sent to Executive Committee members prior to the call.

Approve Minutes of March 20, 2020 Executive Committee Meeting

Philip Fairey made a motion to approve the draft March 20, 2020 executive committee minutes. John Hensley seconded the motion. Motion approved by voice vote.

Recommendation to the RESNET Board on Financial Relief of HERS Rating Industry as a Result of the COVID-19 Pandemic

Steve Baden reviewed the briefing paper (Attachment A) and results of HERS Industry that were sent prior to the meeting (Attachment B). Executive Committee discussed proposal submitted by Leading Raters of America, RESNET staff had recommended a rebate program for Rating Providers per month based on the number of homes that were rated less than in 2019.

Philip Fairey made a motion to recommend to the board that the request be denied. Nancy St. Hilaire seconded the motion.

David Beam offered a friendly amendment that the denial would only be for this time because the effects of the pandemic could not be fully determined currently and the efforts that RESNET has taken to assist the HERS Industry with the financial implications of the pandemic and include details on RESNET's response on current initiatives in place that will support members financial.

The amended motion was to: "Recommend to the RESNET board of directors that the Leading Raters of America request be denied at this time, based on RESNET's active engagement with membership to handle financial implications due to the global pandemic, the effects of which cannot be determined at this time."

Philip Fairey and Nancy St. Hilaire accepted the changes as a friendly amendment.

The amended motion passed by unanimous voice vote.

Authorization of RESNET Executive Director to Negotiate Buy-Out HESPro Contract for RESNET Member Premium Directory

Steve Baden reviewed the briefing paper that was sent prior to the meeting (Attachment C).

Philip Fairey moved to authorize RESNET staff to work with its legal counsel to negotiate a buyout and resolve the issue with HESPro. David Beam seconded the motion. Motion passed by voice vote.

Discussion of the 2021 Building Performance Conference

Steve Baden provided an update on status of 2021 RESNET Building Performance Conference. He stated that the outlooks for the February conference are currently not bright. The COVID-19 virus continues to spread. The latest reports indicate that COVID-19 cases are increasing in 20 states. Public health officials are warning that another wave of the virus is expected in the winter of 2020-2021. In addition, the travel industry is predicting it will be two years for air travel to rebound to what it was in January 2020.

All this means is that RESNET needs to consider its options in terms of the 2021 RESNET Conference. The options Mr. Baden identified include:

- Postpone the conference until Fall 2021
- Offer a hybrid conference with a reduced room reservation guarantee in February 2021 that features both a live and virtual sessions
- Canceling the 2021 conference and conduct instead a virtual conference like the National Home Performance Conference did.

David Beam provided his insight from negotiating with hotels for his events and that the sooner a decision was made on this the better.

RESNET Staff will investigate options and keep Executive Committee and RESNET Board members updated.

Switching the Fall 2020 RESNET Board Meeting to a Virtual Meeting

Steve Baden reviewed the briefing paper that was sent prior to the meeting. He stated that the Fall 2020 RESNET Board Meeting is currently scheduled to be an in-person meeting in Chicago on October 14, 2020. Chicago is an epicenter for the COVID-19 pandemic and occurrences of the virus cases have not peaked. He stated that RESNET staff believes that it would be most prudent to postpone the in-person meeting and instead offer the Board meeting virtually this October and move the in-person meeting to Fall of 2021.

John Hensley made a motion to postpone the RESNET Board Fall in-person meeting and instead offer the Board meeting virtually this October and move the in-person meeting to Fall of 2021. Philip Fairey seconded the motion. Motion passed by voice vote.

Status of RESNET SBA Paycheck Protection Program Loan Application

Steve Baden gave an update on RESNET's SBA Paycheck Protection Program Loan Application to be used for RESNET staff salary. He stated that the bank that was reviewing the application informed staff that the loan would be approved but for a lesser amount.

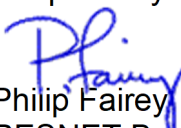
New Business

No new business was presented.

Meeting Adjournment

Nancy St. Hilaire made a motion to adjourn. Meeting was adjourned at 3:53 p.m. Eastern.

Respectfully Submitted


Philip Fairey
RESNET Board Secretary

Appendix A



Setting the Standards for
Home Energy Efficiency

RESNET Board Executive Committee Briefing Paper on Providing Temporary Financial Relief to HERS Industry During Current Pandemic and Economic Slowdown

May 1, 2020

The current COVID-19 pandemic and resulting economic slow-down is causing a financial strain to RESNET, the HERS industry and home builders.

RESNET has received a request from the Leading Raters of America (LRA) for a temporary reduction of the \$7.50 per rating quality assurance fee, (LRA request is separately attached).

While a certain amount of financial relief to the HERS industry makes sense, much thought needs to go into shaping a decision on this issue because of the following complicating factors:

- **Not Knowing the Length of the COVID-19 Pandemic** - While the curve of new COVID cases seem to be leveling and states are beginning to take steps to reopen their economies, the duration of the pandemic is still not known. Public health experts are warning of a new spike that could take place in the winter of 2021.
- **The Uncertainty Over the Extent that the Effects of the Economic Slowdown will have on the Housing Industry** - We know that the housing industry will take a hit, but not know yet the extent of the hit. RESNET staff have been carefully reviewing trade publication and industry coverage and we have not yet, detected a national trend. There are still too many variables.
- **Uncertainty of What the Effects the over \$2.7 Trillion in Recent Congressional Funding will have on the Economy** – Since March Congress has passed three COVID-19 recovery bills that will include the infusion of over \$2 trillion into the economy. These funds are just beginning to be distributed and no one has been able to ascertain the effects these investments have made. The number of Americans applying for unemployment benefits are still rising.
- **Not Knowing what the Effect of the Federal Reserve Unprecedented Lowering of Interest Rates will have on the Demand for Mortgage Loans** – The Federal Reserve has lowered interest rates to historical lows. This could make the purchase of a home attractive. There have been no trends reported yet on the effects of these low interests.

- **Not Knowing how Many HERS Rating Companies can take Advantage of the Federal Paycheck Protection Program or will RESNET's Application be Approved** – As part of the Congressional CARES Act over \$300 billion of dollars were appropriated for a Small Business Administration (SBA) Paycheck Protection Program (PPP). The programs offer low interest loans to keep small businesses and non-profits open and loan forgiveness for keeping employees. The first funding ran out in less than three weeks and a second round of funding was approved by Congress. RESNET has applied for such funding. It is not known how many Rating Providers and HERS Rating companies have applied for the funding. RESNET is conducting a survey of rating companies and Rating Providers to determine how many have applied for PPP.
- **Not Knowing What the Effects that RESNET's Emergency Waivers are Having on Provider and Rater's Bottom Lines (although RESNET anticipates positive effects)** – RESNET has taken a number of emergency waivers to assist the HERS industry during this crisis. This includes forgiveness of registry late fees and payment plans. It is too early to see the effects of these actions.

Unfortunately, it is too early to answer these questions. There are too many variables with the COVID-19 pandemic and the U.S. economy.

What we can expect, however, is a reduction in RESNET revenues from what was budgeted for 2020. Unfortunately, because of the above, we cannot at this time predict what shortfall we can expect. It is really only in March that the national pandemic emergency was announced and the shutdown of the economy began.

Any decision regarding changing the RESNET rating fee over the long term and the extent of the relief will need to be based on market and industry facts and data. RESNET is closely tracking HERS rating activity and trade press coverage of building activity to get a better grip on what the effects will be to RESNET and the HERS Industry. It all depends on developments with the pandemic and the recovery of the U.S. economy. Again, our industry began this shutdown in March.

Through the RESNET National Registry RESNET is able to track the number of homes that were rated in a month and compare them to the numbers that took place at the same time in 2019.

For example, in January and February 2020 the numbers of homes that were HERS Rated increased compared to during the same period in 2019. March represented the first month of slow down. In March 2020 there were 2,700 less homes rated than in March 2019. But the slowdown was not shared among all Providers. Some Providers actually saw rating activity increase in March 2020.

The month April promises to be a more accurate gauge of the results of the national disruption. In April 2020 the number of homes that were HERS Rated were 12,296. This was 7,741 less homes that were HERS Rated in April 2019. This month saw loses to Providers across the board.

Because of this uncertainty it is recommended that the RESNET Board take an incremental approach to providing financial assistance to the HERS industry.

RESNET staff recommends that the RESNET Board consider the following HERS Industry Pandemic Relief Plan:

- The RESNET Board authorize an initial 60 or 90-day trial relief period.
- The relief would be a rebate for the difference in the number of homes a provider rated in the month, compared to the number of homes the provider rated in that month in 2019. The provider would not be eligible for a rebate unless there was a reduction in the number of ratings, compared to the month in 2019. At the beginning of the month, RESNET staff would inform the provider if they are eligible to apply for the rebate for the previous month. RESNET has a history of previously issuing rebates, such as the surcharge rebate for the development of a standard rating calculating method.
- The Provider needs to assure RESNET that the economic benefits of the RESNET financial relief is shared with the Provider's certified HERS Raters.

RESNET staff is recommending that the financial relief be somewhere between \$1.00 to \$2,00 per rating shortfall for the month.

Based on the numbers from March 2020:

- A \$1.00 (13%) reduction would cost RESNET \$2,700.00 for the month
- A \$1.50 (20%) reduction would cost RESNET \$4,050.00 for the month
- A \$2.00 (26%) reduction would cost RESNET \$5,400.00 for the month

Based on the numbers from April 2020:

- A \$1.00 (13%) reduction would cost RESNET \$ 7,741.00 for the month
- A \$1.50 (20%) reduction would cost RESNET \$11,611.00 for the month
- A \$2.00 (26%) reduction would cost RESNET \$15,482.00 for the month

RESNET staff recommends that the RESNET Board Executive Committee recommend that the RESNET Board of Directors adopt a HERS Industry Pandemic Relief Plan.

While this would represent a revenue loss it would send a strong signal to the HERS industry that we are all in this disruptive time together and RESNET is contributing to keep HERS raters viable.

Due to current uncertainty with the pandemic and economic shut down RESNET staff recommends that the RESNET Board take incremental steps in rolling out the program.

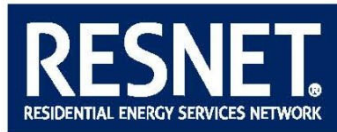
The first phase would be to cover the months of March and April 2020. RESNET staff suggests that the Executive Committee recommend to the Board a rebate program that

reduces the registry fee by 13% for the number of homes that were rated in the two months in 2020 as compared to the same months in 2019.

This would equate to RESNET issuing a total of \$10,441 in rebates for the months of March and April 2020.

RESNET staff will then track the developments in terms of homes being HERS rated in the subsequent quarter and whether or not RESNET receives PPP funding. Staff would then recommend the next step if necessary.

Appendix B



Setting the Standards for
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Results of Survey of HERS Raters and Rating Providers on Effects of COVID-19 Pandemic May 8, 2020

To get a better understanding of the effects that the COVID-19 and ensuing economic downturn is having on the HERS industry, RESNET conducted a survey of HERS Raters and Rating Providers.

113 Raters and Rating Providers responded to the survey. The key finding of the survey are:

- 39.9% of respondents reported that over the last two months their company experienced no reduction in the number of homes HERS rated. Of those that experienced a shortfall, 53% experienced a reduction of over 10%.
- Looking into the next quarter, 41.6% respondents projected that they would not see a change in the demand for their HERS Rating services. 21.2% projected in an increase in demand while 37.1% projected a decrease in demand.
- 77% of respondents reported that their builders had not requested a reduction of rating fees. Those who reported their builders had requested a reduction of fees, 53% reported that the amount was less than a 10% reduction.
- Only 24.8% of respondents reported that they had contacted their local building departments about conducting the energy code inspections or testing.
- 52.2% respondents reported that they had applied for a SBA Paycheck Protection Program loan.

Other interesting findings of the survey are:

- 57.5% of respondents reported that they were either “very satisfied” or “satisfied” with RESNET’s response to the COVID pandemic. 6.2% responded that they were not satisfied with RESNET’s response.
- RESNET has done a good job of informing the industry on the options of remote inspections and using default values instead of testing. 98.2% of respondents reported they were aware of the remote inspection option and 97.3% were aware of the option of using defaults.
- 18.6% of respondents indicated that they planned to use the remote inspection option.
- 16.8% of respondents indicated that they planned to use the default option to testing.

To download the survey results click on <https://www.surveymonkey.com/results/SM-JJ3G3SZX7/>

Appendix C



Setting the Standards for
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RESNET Board Executive Committee Briefing Paper on Buying-Out HESPro Agreement on RESNET Member Premium Directory May 1, 2020

As part of its economic recovery plan to the Great Recession of 2008, the Obama Administration proposed a new initiative to spur residential energy retrofits, the “Home Star Program”. The initiative would have provided over a \$1 trillion for rebates to homeowners who undertook comprehensive retrofits of their homes. The effort was aimed at creating new clean energy jobs by spurring the demand for energy auditors and retrofit contractors.

To take advantage of this opportunity, the RESNET Board of Directors on February 21, 2010 approved a new initiative – the “Engaging and Supporting the Retrofit Industry - The New RESNET Initiative”. The initiative would include creation of the following new RESNET certifications:

- RESNET Energy Smart Contractor
- Home Energy Survey Professional
- Energy Smart Home Performance Teams (would team up a HERS Rater with an Energy Smart Contractor)

The effort would include the development of a new RESNET web site aimed at consumers and the creation of a new premium directory for RESNET HERS Raters, Energy Smart Contractors and Home Energy Survey Professionals. The RESNET Board authorized the RESNET Board Executive Committee to negotiate an agreement with the Maryland building performance firm HESPro to develop the RESNET consumer web site and the premium directory. The principal for HESPro was previously with Contractor.Com.

The agreement approved by the RESNET Board on March 22, 2010 provided that HESPro would pay for the development of the web site and premium directory and market it with the following provisions:

- RESNET would allocate \$75,000 to HESPro for the development of the RESNET consumer web site.
- The RESNET consumer web site would revert to RESNET’s ownership after being developed.
- HESPro would maintain the premium directories and collect all of the proceeds from their subscriptions.
- RESNET would retain the right to buy out HESPro for the premium directories.
- The agreement would be in effect through January 1, 2024.

Since the Home Star Program was never adopted by Congress, the demand for the RESNET Engaging and Supporting the Retrofit Industry services did not achieve the income that was originally anticipated. The demand for Energy Smart Contractors and Home Energy Survey Professionals also disappeared.

From 2010 through 2012 HESPro actively marketed the premium directory through exhibits in trade shows and having a dedicated sales representative. Beginning in 2012 HESPro stopped exhibiting at trade show exhibits and in 2014 released their sales representative.

Since 2014 HESPro has made no improvements to the premium listing directories and has not maintained the directories platform.

The following is the revenues that the premium directory achieved between 2010 – 2019:

Year	Amount of Revenue	Change from Previous Year
2010	\$85,689.42	n/a
2011	\$89,956.65	+\$4,267.23
2012	\$87,348.57	-\$2,608.08
2013	\$69,717.32	-\$17,631.25
2014	\$70,909.52	+\$1,192.20
2015	\$54,093.40	-\$16,816.12
2016	\$38,439.93	-\$15,653.47
2017	\$50,091.46	+\$11,651.53
2018	\$42,533.55	-\$7,557.91
2019	\$41,964.87	-568.68

You will note that from its height in 2011 the premium directory revenues have dropped by 46%. This reflects the lack of the updating of the premium directory and marketing.

Another difficulty emerged is that when the new RESNET web site was launched, the directories platforms were so old that the premium directory could not be fed into the new RESNET web site.

In 2017 HESPro threatened legal action with RESNET over alleged lack of support for the premium directory. RESNET’s legal counsel negotiated a supplemental agreement with HESPro as a settlement. The settlement was reached on November 28, 2018. The new agreement provided:

- Extension of the agreement to January 1, 2026
- RESNET would expend \$10,000 to enable the premium directors to be accessed by the RESNET directories
- HESPro would market its premium directory to RESNET members
- RESNET granting HESPro the ability to assist RESNET members in renewing and editing their premium listings
- The RESNET buy-out clause was retained

Shortly after the settlement between RESNET and HESPro, RESNET members began experiencing problems with the HESPro premium directory. RESNET staff and its web site manager contacted HESPro orally and in writing that the premium directory was on its last leg and was crashing. HESPro refused to invest any funding to upgrade the directory stating that it was RESNET's responsibility.

In RESNET's 2019 cyber security audit, RESNET's cyber security firm identified the HESPro premium directory as a "critical weakness" to the security to RESNET's National Registry and easily susceptible to hacking. With this information, RESNET demanded HESPro update its registry (an estimated cost of \$25,000.00). HESPro again refused to update its directory platform.

Currently the HESPro directory is so outdated, that RESNET members are no longer able to sign up or renew their premium directory membership. As with any system crash, the crashes are numerous and sporadic. New member sign ups and renewals have to be completed manually by RESNET staff. This is taxing on RESNET's staff resources and its relationships with its members who have premium listings.

Since this could no longer be accepted, RESNET retained outside legal counsel specializing in contractual disputes. Our consul has formally demanded that either HESPro update its directory or RESNET would cancel the agreement. HESPro through its legal counsel has refused to take any action.

RESNET's legal counsel has suggested that it would be more affordable for RESNET to negotiate a buy-out to HESPro than going through the legal expenses of going to arbitration on this issue.

RESNET staff is requesting authorization to work with its legal counsel to negotiate a buyout and resolve this issue.

A buy-out is projected to be a financial benefit to RESNET in that we would own and receive all of the revenues from the directory. With an updating of the directory and its platform and marketing, RESNET could expect to have the inflow of revenue from the directory as HESPro captured in 2010 through 2012. At a minimum RESNET would be able to capture the current premium directory revenues of \$41,000 annually.

Short of a buy-out RESNET will have no recourse but to take HESPro to court over breach of the agreement. The security of our National Registry and membership relations are at stake.