Massachusetts Residential New Construction Focus Groups with Participant Builders

Final

9/27/2011

Submitted to:
Joint Management Committee

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Executive Summary

This report presents findings from two focus groups conducted by NMR Group, Inc. (NMR) as part of the evaluation of the Massachusetts New Homes with ENERGY STAR® Program (Program). Randomly selected home builders who participated in the Program were asked to attend a focus group to assess their experience with the Program and to discuss potential changes to the Program. Focus group participants consisted of home builders across Massachusetts who have built different types of homes, including single-family and multi-family homes; low income\(^1\), affordable and market rate homes; and spec and custom homes. The focus group participants included general contractors, production builders, spec and custom home builders, and architects.

The primary objectives of this research were to assess the participants’ experiences with building ENERGY STAR homes\(^2\) in Massachusetts, the value of the ENERGY STAR label or certification, their experiences with home energy rating system (HERS) raters and building in Stretch Code communities\(^3\), and to get their perspectives on potential and upcoming changes to the Program.

The dates, locations, and participant characteristics of these residential new construction (RNC) focus groups were as follows (Table 1):

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Number of Participants</th>
<th>Average Years Building Energy Star Homes</th>
<th>Average Number of Homes or Units Built Last Two Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/21/11</td>
<td>Framingham</td>
<td>9</td>
<td>4.5</td>
<td>17</td>
</tr>
<tr>
<td>6/30/11</td>
<td>Canton</td>
<td>7</td>
<td>4.0</td>
<td>12</td>
</tr>
</tbody>
</table>

The builders who participated in these groups were recruited from lists of Program participants and reimbursed $250 for their participation. The participants in each focus group have, on average, four to four and a half years of experience building ENERGY STAR homes and, on average, have built 12 to 17 homes or housing units in the past two years.

Focus groups are a qualitative research technique. They are useful for generating ideas about a topic or issue, and gaining greater understanding of how members of a group think, but they are not statistically representative of the population. Results should therefore be interpreted accordingly.

\(^1\) Low income housing is defined as housing built for households with income not more than 60% of estimated Massachusetts State Median Income.

\(^2\) The focus group participants had all built ENERGY STAR-certified homes as they had participated in the Program prior to 2011 when such certification is no longer required.

\(^3\) The Stretch Code may be adopted by any municipality in Massachusetts by decision of its governing body. Further information may be found at www.mass.gov and is available at: [http://www.mass.gov/Eoeea/docs/doer/green_communities/grant_program/stretch_code_summary.pdf](http://www.mass.gov/Eoeea/docs/doer/green_communities/grant_program/stretch_code_summary.pdf)
Findings

The key findings of the two home builder focus groups are as follows:

**Experiences Building Energy Star Homes**
Experiences with the Program overall are positive and highly touted. The majority of criticisms relate to administrative burdens and adapting to Program changes. Key findings include:

- The majority of builders became involved in the Program because it differentiates them in the marketplace.
- Several home builders said it is a builder’s moral obligation to build an energy-efficient home, with several describing it as ‘the right thing to do.’

**Value of the Energy Star Label or Certification**
Builders see value in marketing the ENERGY STAR certification and label. However, they reported that the ENERGY STAR label and certification as a ‘brand’ for the Program is in need of greater differentiation from the ENERGY STAR label used on various consumer appliances. Key findings include the following:

- There was consensus that the home-buying public does not understand the benefits of the ENERGY STAR label with respect to residential new construction.
- ENERGY STAR and HERS scores are not consumer-related marketing labels and not as easily identifiable to consumers as the silver, gold, and platinum levels in the Leadership in Energy and Environmental Design (LEED) structure.
- There was little confidence that home buyers would understand the nuanced jargon of Tiers or HERS index levels.

**Opinions on the Open Market for HERS Raters**
The concept of an open market for HERS raters was new to all of the builders, and the focus group moderator described how the Program administrators are considering no longer subsidizing the cost of HERS raters fees, and requiring that builders directly negotiate and pay HERS rater fees based on market pricing. Overall the builders were concerned with the change to an open market for HERS rater services. Participants mentioned the following key concerns and potential advantages associated with the change:

- Builders do not understand the need for a change to the open market; they believe the Program’s structure currently meets their needs.
- The external independence and opinion of the HERS raters was cited as the most valuable asset to the Program and one they desire to see continued. Builders were concerned that this HERS rater independence would not be preserved in an open HERS rater market.
- Some participants saw an advantage to an open market in providing a potential influx of new knowledge through additional HERS raters.
Experience with Stretch Code Communities

The focus group participants working in Stretch Code communities said they find Stretch Code requirements redundant with Program requirements. Key findings with respect to working in Stretch Code communities include the following:

- Builders say they do not find the inspection process in Stretch Code communities burdensome. They say many building inspectors in these communities are confused or not that knowledgeable about the inspection process.
- The Stretch Code requirements were seen as lowering the cost for key energy efficiency components such as Icynene brand spray foam insulation.

Conclusions and Recommendations

As builders in the Program adapt to future changes, several themes emerge from their experience with the Program. Builders in the Massachusetts Program exhibited a high degree of support for the Program. Some felt, however, that the ensuing changes, which many first became aware of in the focus group sessions, came as too much of a surprise and several stressed the importance of transparency and timely flow of information regarding changes to the Program. This is underscored by most of the builders’ complete lack of awareness about major Program changes that had already been in place for approximately six months.

There is consensus, to a large extent, of the need for greater outreach, education of the home-buying public, and enhanced marketing efforts for the ENERGY STAR label and certification. This would apply even in the absence of the ENERGY STAR label; outreach and education would emphasize the benefits of Program participation to prospective homebuyers.

Many focus group participants exhibited an unwillingness to add to the administrative burden they already perceive in the Program; they think introducing an open market for HERS raters would require more administrative work. Many builders were also puzzled as to why it was necessary to move to an open market for HERS raters. Maintaining the independence of the HERS raters’ functions was a primary concern; a rater who negotiated a fee and depended on the builder for payment could be perceived as less stringent in enforcing the program requirements.

Builders who have worked within Stretch Code communities across Massachusetts find the requirements of the Program, base code, and Stretch Code redundant, indicating some confusion about the different standards. As a group they maintain they already meet the Stretch Code requirements when they meet Program specifications.

Based on the above findings, the following preliminary recommendations are provided:

- Capitalize on the theme that the Program differentiates home builders in a positive manner throughout the marketplace.
- Continue to educate home buying consumers on the characteristics of energy-efficient homes and potential savings associated with living in an energy-efficient home.
- If Program Tiers and HERS rating scores are mentioned at all in marketing materials to the home-buying consumer, provide simple and clear explanations of their significance.

- Incorporate additional educational information into marketing materials for Program participants. Further outreach is necessary to raise the awareness of participant builders with respect to changes in the Program.

- If the shift to an open HERS rater market occurs, provide clear marketing materials to builders emphasizing the advantages offered by HERS raters. Builders should also be made aware that HERS raters operate in a competitive market, charging varying fees and offering different services.
1 Introduction

The 2011 Massachusetts New Homes with ENERGY STAR® Program provides tiered incentives to builders for homes that achieve savings 15%, 30%, or 45% over the Massachusetts baseline or user defined reference home (UDRH). In addition, while homes in the 2011 Program do not have to be certified as ENERGY STAR, they need to comply with sections 3 and 5 of the ENERGY STAR Version 3 Thermal Enclosure System Rater Checklist.

Home builders who participated in the Program before 2011 were asked to attend two focus groups to ascertain their experiences with the Program and provide feedback about changes made in 2011 and changes which may be forthcoming in 2012. The focus group participants were paid $250 for their time.

The primary objectives of the focus groups were to determine the builders’ opinions on:

- What led them to participate in the Program
- Their experience meeting ENERGY STAR standards and the role played by the HERS raters
- The value of using the ENERGY STAR certification and label in marketing homes
- Moving to an open market for HERS rater services
- Participating in the Program in Stretch Code communities

Each focus group followed the question layout in the discussion guide (see Appendix A). The participants also completed a short questionnaire to help the focus group moderator better understand the demographics of each group (Appendix B). The screener used to recruit focus group members is found in Appendix C.

One focus group with nine participants was held on June 21, 2011 in Framingham, Massachusetts and another group with seven participants was held on June 30, 2011 in Canton, Massachusetts. Each focus group was administered by an NMR evaluator and lasted for approximately one and a half hours. Builders often build multiple types of housing. The Framingham participants reported that 89% were builders of single-family homes and 56% built multi-family, 22% built affordable homes while 100% built market rate, and 67% built spec homes and 67% custom homes. The Canton participants reported that 71% were builders of single-family homes and 86% multi-family homes, 71% built affordable homes and 57% built market rate homes, and 86% built spec homes and 71% built custom homes (Table 2).

<table>
<thead>
<tr>
<th>Focus Group</th>
<th>Single-family</th>
<th>Multi-family</th>
<th>Affordable</th>
<th>Market Rate</th>
<th>Spec</th>
<th>Custom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framingham</td>
<td>89%</td>
<td>56%</td>
<td>22%</td>
<td>100%</td>
<td>67%</td>
<td>67%</td>
</tr>
<tr>
<td>n=9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canton</td>
<td>71%</td>
<td>86%</td>
<td>71%</td>
<td>57%</td>
<td>86%</td>
<td>71%</td>
</tr>
<tr>
<td>n=7</td>
<td></td>
<td></td>
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</tbody>
</table>
Builders in the Framingham group had built on average 17 homes or units (ranging from 1 to 50) in the past two years, and those in the Canton group had built an average of 12 (ranging from 3 to 21). The Framingham builders averaged four and a half years of experience building ENERGY STAR homes (ranging from 1 to 10 years) while the Canton group averaged four years (ranging from 2 to 6 years). One builder in Framingham had ten years of experience building ENERGY STAR homes while one in the Canton group had only one year of experience building an ENERGY STAR home. All the participants reported in the questionnaire that they had achieved up to Tier II incentives. Since these builders built ENERGY STAR homes prior to 2011 they were most likely referring to achieving 2010 Tier II. During the focus groups, few builders indicated familiarity with the 2011 Tiers.
2 Experience Building Energy Star Homes

Home builders in both focus groups were asked to discuss what led them to participate in the Program. Builders in both groups were very aware of and concerned about reducing energy use in the homes they build.

Many expressed that participation in the Program was a means of differentiating themselves from other builders in the marketplace:

“I build starter-type homes. I did it to differentiate myself from other types of similarly priced homes.”

“I started to differentiate myself from other builders in the communities.”

“With the market slowing down and people being more concerned with gas pricing going up...and like someone said earlier, to get a little edge that other people didn’t have.”

“It’s the right way to do it. It distinguishes your house. It’s a good product.”

“I see the marketing people said you got to have something...to stick on the window.”

A notable number tied their participation in the Program to their belief that it was a builder’s moral obligation to build energy-efficient homes. Several explicitly stated that building a more energy-efficient home was not only good for their business but also the ‘right thing to do’:

“There’s the moral issue of doing the right thing, and from a sales standpoint—people don’t come to me for it for sure—but if at the end of the day, if you can relate to the costs of running their house, ... it makes a lot of sense. And at the end of the day they like doing the right thing. I don’t think it’s a sales tool; they get giddy when they get their first electrical bill and then they preach. Because of that it spreads around.”

“The bottom line is we have done this to ourselves. It’s national security, I don’t think we have to do a whole lot... [to prevent] our people dying over oil.”

“Build a responsible home; you know it’s the right thing to do.”

In addition to a sense of moral obligation to build energy-efficient homes, several builders mentioned that the green movement, as a general societal trend, had spurred them to participate in the Program:

“There is only a small number of programs that focus on energy efficiency and green...I’ve been interested in energy and the whole green movement since '04. My desire is to make the homes I design and build as energy efficient as possible. That’s where my passion is and that’s what led me to become an ENERGY STAR builder.”
“I think people like green today. They don’t seem to have a problem spending more dollars to get something better. People like that green part…it’s like buying a Prius.”

The builders who construct homes for Habitat for Humanity cited affordability reasons as to why they participate in the Program:

“We build affordable homes. Even though we build homes inexpensively, we want to build them so they can live in them and not pay high utility rates. So really it’s a matter of economics.”

“We do build the houses to be affordable, and for the most part we build for single moms. So in order to save them money long term.”

On the other end of the spectrum, with respect to cost of the home, one custom home builder noted that buyers equate energy efficiency and high quality, and the rebates the Program offers are an additional incentive to incorporate energy efficiency into more expensive homes:

“In the price range of these homes it made sense to participate...we’re building a high end home, we might as well put the ENERGY STAR label on it. Add in the rebates, we would have spent the money anyhow to build that way. Why not get the rebates and at the same time get the label and have that be part of the selling feature.”

However, while builders reported numerous reasons for participating in the Program, some expressed concern that the home-buying consumer and building community are not aware of the benefits of an ENERGY STAR home:

“The frustration and the challenge we have now in my marketplace, I don’t think most consumers see the benefit of the ENERGY STAR house. And I don’t think they are willing to pay the extra money that it costs us to build an ENERGY STAR house. I’m educating the customers to the different things we are doing to make their house so much better.”

“I think we are pretty provincial here in Massachusetts as far as change goes. When I finally got into ENERGY STAR, I had to change most of my subs—they just don’t get it. So there’s an educational process there that I had to go through.”

“People that move into homes, I don’t think they understand ENERGY STAR. I show them the sticker and they just look at me feeling kind of silly.”

One builder recognized the value of the ENERGY STAR Program only after being required to build to more efficient standards as a building requirement for low-income housing:

“They actually forced it on me two and a half years ago...it was part of one of the best things I ever did. I’m the customer and I think the Program is terrific, I think
everybody should do it. I’m renting a lot more units because of the ENERGY
STAR logo.”

The majority of the builders became involved in the Program because it differentiated them in
the marketplace as well as believing constructing a home to ENERGY STAR standards is the
correct way to build. Several also noted that they participated in the Program because they were
already building to the level required and did not need to do much to get the incentives.
However, several noted that many home buyers do not fully grasp the ENERGY STAR Program
or labeling. There is further need to educate the home buying consumer on the characteristics of
and savings associated with energy-efficient homes.

2.1 Meeting ENERGY STAR Standards

Participants were asked about their experience meeting ENERGY STAR standards when
constructing their homes. They were asked to speak about what incentive levels their homes have
achieved (Tier I, II, or II), the version of ENERGY STAR they have worked under, and how
valuable their HERS rater was in helping them achieve these levels.

Many initially expressed frustration and confusion about the different iterations of the ENERGY
STAR standards, including the transition in the national Program to ENERGY STAR Version 3
(though awareness of Version 3 was low). There was concern over ever-increasing
administrative costs and the need to keep track of changing Program standards:

“Tell me what to do and I’ll do it and don’t change the Program when I’m
working on it.”

With respect to those building in the affordable housing market, several builders already working
with tight margins and under time constraints needed assurances that administration of the
program would not become overly burdensome:

“Chasing the rebate dollars at the tail end of these projects has at times been
very difficult. Took months for me to support and provide documentation to
receive my rebates.”

Builders summarizing their experiences with the Program stated there is a point where the
perceived additional costs or burdens of the Program become prohibitive to participation in the
Program:

“The guys who do the million plus dollar houses, it’s only a few thousand, it’s no
big deal. But if you’re in the lower end…when the costs become too prohibitive to
do the ENERGY STAR stuff, I’m just going to drop it, without even thinking twice,
just gone.”

“The rebates have to be attractive enough to make it worthwhile.”
With respect to those building in the affordable housing market, several builders already working with tight margins and under time constraints needed assurances that administration of the Program would not become overly burdensome:

“Chasing the rebate dollars at the tail end of these projects has at times been very difficult. Took months for me to support and provide documentation to receive my rebates.”

When prompted to discuss which ENERGY STAR incentive tiers they had achieved, one builder admitted he did not understand the ENERGY STAR tiers or the actual HERS rating system. However, Program records show that all of the focus group participants had projects that reached 2010 Tier II incentive levels:

“Tell me about Tier I-III. I know the verbiage but I couldn't tell you what Tier I’m at.”

With respect to meeting the incentive levels, builders mentioned it is easy to build homes that can qualify for the Program, but the primary cost to the builder is the extra time it can take to meet the Program’s requirements:

“As you keep working the Program, seeing how you can get it better [the home’s efficiency]...I think it is easy enough to get into, to qualify for the Program, but again, it takes a lot of attention, a lot of time, and if you are paying for that attention and time, there’s a cost, that the builder is not getting back.”

The builders were split on their experiences with HERS raters. Many had positive experiences with the raters as individuals, but felt they were not experienced enough to provide the support the builders needed to meet the higher tiers of the Program:

“My HERS rater was a little green as well. He didn’t have the information to help or guide me to make the right decision. And ultimately in the end we were Tier II –[it was only] fractional changes to Tier III. I was a little disappointed...”

“Don’t think the HERS raters know enough, they are kind of insecure in their decisions, at least the one I’m thinking of... I think they’re insecure on ... the rules, they don’t know what rules to follow. I think the HERS raters are green.

Some were more pleased with the service the HERS raters provided. A few builders mentioned that their raters were experienced and knowledgeable in helping the builder achieve higher efficiency levels:

“I have had great experience with my HERS rater. He does know what he’s doing. He’s always encouraging changes [to achieve a better rating]. I’ve had great experience with my HERS rater.”

“Our HERS rater was extremely helpful. It’s been a great experience.”

“Our rater was great. It’s been a good experience overall with the raters.”
Others took a more collaborative approach with their HERS raters in order to meet or exceed the ENERGY STAR standards:

“We brought the plans in ahead of time to let him [provide us with feedback], he’s got a model scale that he can rate it on and show us, ‘do this, change to that and you’re gonna hit this number instead.’”

“I send plans to my rater and he’ll look at everything and say we are at Level I and tell me how I can get to Level II and do it the most cost effective way depending on what rebates we are getting.”

One builder mentioned he sought a specific Tier level and found the HERS rater helpful in achieving the higher ENERGY STAR incentive level:

“Had great success. We’ve aimed at Tier II and achieved better. The raters that have worked on our projects have offered some guidance... For me it’s been helpful to have an extra set of boots that’s going to chase these goals.”

In addition to utilizing the HERS rater to achieve higher efficiency, one home builder went a step further to enhance his personal knowledge by becoming Building Performance Institute (BPI) certified.4

“My HERS raters have been instrumental on everything. What helped me as a builder and as an investor, I got BPI certified. It shows you everything... I sent all my guys and it was very simple for us to achieve these [ENERGY STAR incentive] levels because we know the science of it. I recommend that to everybody...because it makes you stand up above everyone [other builders].”

When the builders were asked by the moderator if they had any difficulty meeting the ENERGY STAR standards, no one volunteered a response. Most builders had previously reported that meeting the Program’s lowest incentive level was relatively easy to achieve.

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4 Building Performance Institute, Inc. (BPI) certification is a national standards development and credentialing organization for residential energy efficiency retrofit work. More information on the Program is available here: http://www.bpi.org/
3 Value of the ENERGY STAR Certification and Label

The builders were asked to recount their experiences with marketing and the resulting value of the ENERGY STAR label and certification. All participants in the Canton focus group stressed that they do market the ENERGY STAR certification on the homes they build. One builder proudly displayed his brochure to the group revealing a large ENERGY STAR label on the front. He further stated:

“I don’t think people have any idea what it means, but they like it.”

The Framingham focus group was more nuanced in affirming that they market the certification and label. One builder expressed hesitation in continuing to pursue the ENERGY STAR label as the Program standards change, except for some circumstances, such as working in Stretch Code communities, where the two sets of standards are quite similar:

“Kind of, only I don’t ever know where it is going [the Program]. If I’m on a big project, if changes are happening the way they say they are going to happen, well I’m just going to do my own thing. It’s completely up to me...If you’re in a Stretch Code community you would be crazy not to [participate in the Program] ... What I keep hearing is the next version of ENERGY STAR is coming then I probably would just drop it [the Program]. [It’s like] chasing a bouncing ball; I don’t know what it is.”

Other Framingham focus group participants echoed the above sentiment, but mentioned they do not explicitly market the Program. Rather they reported that they inform buyers about ENERGY STAR if the buyer is interested:

“I don’t really market it. Because I do custom, it’s more for the people who are interested in it. If these communities all go Stretch Code, you have to be there anyway...Once these inspectors figure out how to do this thing, and they’re all overworked before this thing came into play...as far as the marketing, it’s not really applicable to me unless they are interested.”

“It’s not something that drives the customers whether they purchase or not.”

Builders selling spec homes had a similar response regarding whether or not they market the certification and label to a prospective home buyer depending on which town they are building in:

“It depends on the town. The people in Canton couldn’t care less. Cambridge, Somerville, you’re dead meat if you don’t have it [the ENERGY STAR label in marketing materials.]”
Additionally, builders did not express much support for marketing that discusses the different ENERGY STAR tiers, or HERS rating under which a home qualified:

“It just confuses them more. I’ve been doing this forever and I still have to refer back to the book to see what the different Tiers mean. I just go with the positives that it’s an ENERGY STAR home. If they want more detail I’m happy to supply it. To put in or add Tier II, HERS rated 68, will just go right over most people’s heads.”

Builders who were emphatic about the value of the marketing of the Program and the labeling tended to be building for the affordable marketplace:

“I think they see it on appliances…and it sounds like a good idea and they buy a house.”

“I compete with other non-profits. Being ENERGY STAR, HERS rated – all that stuff online is a big marketing tool to me. It puts me head and shoulders above the rest.”

“I make sure that the logo goes on everything that goes out in terms of marketing. Working with affordable housing you want everyone to stay ‘warm and fuzzy’ as much as you can. That little splash of color just seems like the right thing to do from a marketing standpoint.”

“People make the connection [with the label] from appliances.”

However, some felt the label and certification did not enhance the marketing of their homes as anticipated:

“I don’t feel that I’m getting a buzz or bang for the buck on the ENERGY STAR label. People say, ‘yeah that’s nice,’ but they’re not buying the house because of this. As a business person I want to someday charge for what I’m doing extra.”

“I think it’s confusing to people. You see it on appliances; you see it on windows… I don’t know if they market it enough, the electric companies or whomever, that they fully understand it’s like a separate thing; it’s the whole unit [the home]. Till we explain it to people, they don’t understand the true difference of what a true ENERGY STAR house is compared to maybe some appliance labels.”

One builder/investor remarked how valuable the label is in marketing his homes:

“I think it’s invaluable. As far as being HUD funded, they make us do it. They make us do ENERGY STAR. It’s been a good experience for me. I think everyone should do it.”

Overall, builders in both groups see value in marketing the ENERGY STAR certification and label. Those building market rate homes find the certification and labeling is advantageous but
not a primary driver in marketing the homes they build. Builders of primarily affordable housing see the marketing of the ENERGY STAR label as a necessary asset. However, builders in both groups believe that ENERGY STAR as a brand is often confused with the more commonplace occurrence on appliances. There was little confidence that home buyers would understand the nuanced jargon of “Tiers,” ENERGY STAR versions, or HERS ratings. Further development of the brand for residential new construction as well as education and outreach to prospective home buyers about the ENERGY STAR Program is warranted.

3.1 Changes to the ENERGY STAR Program

When the topic of changes to the ENERGY STAR Program was brought up, builders expressed some confusion and lack of awareness of the changes. The moderator reiterated that homes with ENERGY STAR agreements signed after December 11, 2010 earn incentives under three different levels: Tier I (15% improvement or better over the 2011 UDRH and compliance with sections 3 and 5 of the ENERGY STAR Thermal Enclosure System Rater Checklist), Tier II (30% improvement or better over the 2011 UDRH and compliance with sections 3 and 5 of the ENERGY STAR Thermal Enclosure System Rater Checklist), and Tier III (45% improvement or better over the 2011 UDRH and compliance with sections 3 and 5 of the ENERGY STAR Thermal Enclosure System Rater Checklist). He further explained that the Program in Massachusetts has changed in that homes no longer have to be ENERGY STAR certified in order to receive incentives. Builders demonstrated a significant lack of awareness of the Program’s shift to no longer requiring ENERGY STAR certification, a change that had been in effect for approximately six months at the time of the focus groups.

Most builders in both focus groups expressed surprise and frustration at changes they had not been aware of:

“Every year they come up with a million things. Just come up with everything and leave us alone for ten years. So it doesn’t become confusing and [cost] more.”

“Part of the reason I was hesitant to use the ENERGY STAR term...is because I was asking my ENERGY STAR rater what is exactly the Program I’m going to? [The rater replied] ‘Doesn’t have a name yet.’ That sounds like typical government... I was going with the Mass one because that’s what I’m familiar with, but I don’t know...you’re chasing the ball.”

“Whatsoever changes there are I want it to be communicated to us.”

“Give me the information so we know what to meet.”

“Just let us know what the hurdles are.”

The builders were asked if they planned to have their homes ENERGY STAR certified even though this was no longer a requirement to receive incentives through the Massachusetts
Program. Several builders stated they would not pursue ENERGY STAR certification if it was not a Program requirement:

“Not at all. Because we go for LEED certification, we don’t go for the [ENERGY STAR] certification, we always build to the standards we know, so I would not [pursue ENERGY STAR certification]. I’m still going with the best I can build a house.”

Others had yet to make up their minds, signaling a lack of awareness with changes to the Program, but seemed to strongly consider no longer pursuing ENERGY STAR certification:

“I’m just guessing, because I haven’t discussed this, but I would say probably not.”

The builders in both groups expressed general confusion and a lack of awareness about the changes to the national ENERGY STAR standards (the move to Version 3) and how these changes relate to builders in Massachusetts. Several times the moderator had to provide some necessary background and context before the builders were able to answer any of the questions posed about changes to the Program. As the Program develops, it is apparent from the focus group comments that further outreach is necessary to raise awareness of the participant builders in the Program about Program changes.
4 Open Market for HERS Raters

The builders were reminded that the Program is considering moving to a full open market for HERS raters starting in mid December 2011. The concept of an open market was new to all of the builders, and some explanation was necessary to describe how the Program administrators are considering no longer subsidizing the cost of HERS raters fees, and requiring that builders directly negotiate and pay HERS rater fees based on market pricing.

4.1 Builders’ Experience Paying HERS Rater Fees

Upon mentioning the possible shift to an open market, one participant immediately inquired if the rebate would be increased now that the raters’ fees are to be negotiated. The moderator inquired if the builders had already been paying fees to their HERS raters in addition to the incentives paid to the raters by the Program. A few had paid HERS raters a nominal fee, and had negotiated rates and services with the raters directly. These additional fees did not appear to be particularly burdensome to the builders:

“I pay the HERS rater as a combination of the ENERGY STAR/LEED. There was [a] discount for doing both.”

“I pay them a small fee. I get back the incentives after we meet the requirements.”

“I’ve gone both ways on it. When we first started this it was always covered by the rebate Program, and now it’s common that these people are looking for a few hundred bucks I think... It depends on how much you can negotiate down. Your hands are tied [because you have to hire them].”

“It wasn’t much money. He came out a couple of times. [It was] very helpful to me.”

When asked if builders received worthwhile services in return for these modest additional fees builders had paid directly to HERS raters, builders had generally positive reports of their experiences. They noted that the raters helped them meet the Program’s incentive levels, but qualified this by noting the extra work required in responding to and implementing the raters’ suggestions:

“Yeah, I suppose [their services were valuable]. We got our certification at the end; we got our certification and our rebates. They did their job.”

“Yeah, you have to do what they say. You’re not going to get the label unless you put the equipment in there that you say, even though everyone’s battling them [sub-contractors]. It’s tough; I play peace maker the whole time.”

“I think they’re well worth it and I think they helped us achieve it. But again what I’m saying to you is, every dollar I give the HERS rater...if I can’t recoup it from my customer, my bottom line is going down, not going up.”
“It’s like having yet another building official, an inspector to come in and do inspections. There’s a certain amount of stress and time and all of that.”

Most participants did not pay their HERS raters directly, and some did not realize that builders ever did so, because they thought these fees were typically paid in full by the Program:

“They [HERS raters] were paid; the homeowner orchestrated it. They were paid by the state.”

“To date we haven’t [paid HERS raters directly]. They just got the rebate through the utilities.”

“Always been my understanding that whatever rebate they get through the Program is their compensation. I haven’t cut a check to a HERS rater yet.”

“Never paid them. Didn’t realize they got paid by private people other than through the utility companies.”

Of those that did not pay their HERS raters directly, they only had positive comments regarding the services the rater provided:

“It is like having another inspector... It is another set of eyes, and he fills the paperwork out. I can’t fill out any more paperwork, I can’t do it. So from that standpoint, I love it.”

Builders were mixed in their experiences with paying for HERS raters’ services. Those that paid HERS raters fees in addition to the incentives paid to HERS raters by the Program were more critical of the HERS raters, complaining in some cases about the extra administrative and logistical burden associated with following the instructions of the raters. In some cases raters charge extra for having to revisit and test the home when builders failed to meet Program requirements. Home builders who did not pay HERS raters directly were more complimentary of the rater’s value added. They appreciated the external independent opinion and assistance with Program administration. Several cited the independence of a third party rater as the most valuable asset to the Program and one they desired to see continued, and thought that this might be compromised if the raters are paid by the builders rather than by the Program. Quite simply, a rater who negotiated a fee and depended on the builder for payment could be perceived as less stringent in enforcing the program requirements.

4.2 Effect of Rater Fees on Decision to Participate in the Program

If the Program moves to the open market for HERS raters, the moderator asked the builders how this might affect their continued participation in the Program.

Many initially stated it would not affect their participation in the Program; in fact they were willing to pay increased fees for higher quality service:

“Would continue working with the Program, with the same HERS rater.”
“Wouldn’t affect me. Probably make it easier, knowledge is power, we’d all have more knowledge.”

“No bearing on participation. I’d participate more in the Program. There would be more people, more knowledge.”

“I would pay more to a HERS rater that understands these things [efficiency standards]. There should be a higher standard for becoming a HERS rater.”

However, some of the affordable home builders expressed concerns that having to pay the HERS rater fee would prohibit their participation in the Program:

“For me, [it’s] money in, money out. If I had to start paying the HERS rater...I’m not going to hire him. I have a bottom line, it’s never going to justify that number, I’m never going to get it back. Although I prefer the HERS rating...I could never get the board to approve kicking out money.”

A minority of the builders saw how an open market for HERS raters might be beneficial to the future of the Program:

“The qualified builder is going to do what he’s going to do. This competitive nature of all these HERS raters coming in—you can’t, we’re at a plateau now with energy efficiency, we’re hitting all these levels. If it brings some of the smaller builders up, who haven’t been participating and they can go out and grab a HERS rater and get into the system, it might be helpful in that regard.”

As more builders thought through and discussed the open market process, however, opinions began to change. The independence of the HERS rater under the current scheme was touted as very beneficial. A majority of builders vocalized concern over a loss of this independence with the open market system:

“I thought that the way the Program was set up made some sense that these guys had some sort of independence.”

“The majority of the money is coming from the Program to make sure that it meets the Program [standards]. It is important to have that independence.”

“I think if the utility companies pay them [HERS raters], they are more apt to bring us to the higher level. They drive it; they get paid on incentive levels...Being how it is now, it’s going to be better. If you open it up it’s going to water it down [quality of service provided].”

“It seems my HERS rater works in the best interest of the Program. It’s important to him that we do it right. If you get a $200 guy or a $400 dollar guy, they’re just not going to do as much. He’ll offer less. I see it as a negative for the Program.”

“Wouldn’t affect my decisions. I can see some problems with it. If you pay a HERS rater short money, if one guy wants $1,000 to do it and the other guy $200,
is the one for $200 going to short sell it? ... On the other end, if I’m paying a guy $1,000, am I buying the influence there? ... I think the independence for what the utilities pay for keeps them [HERS raters] impartial.”

“One thing I always tell my customers is, I talk up the independent nature of the ENERGY STAR Program and how it’s [a] utility funded, third party that comes in and grades the quality... The independence thing, for me, is big. I think you lose that if you start doing the open market.”

“I think where it is funded through the utility, that independence is very important.”

“I would still participate, but I do agree that in the marketing of it, when you can’t say that this is an independent third party verification that was done, you lose that level of credibility.”

“I think the value of the independent utility funded consultant is very important.”

Several mentioned if they were working in a Stretch Code community, there is no choice but to utilize HERS rater services:

“If I were in a stretch community, we have to do it [pay for the services of a HERS rater]. We need that report.”

One builder was emphatic that changing over to an open market would increase the builder’s burden:

“I think it adds another level of hunting out the right guy, doing more interviews... Depending on the size of who you are... you’re going to have to do more interviews, pay more. I think it adds another level of things you have to do that every single year everyone in this industry has to do more and more and more, regulation. Everyone’s talking about the independence, and it is. The system’s in place...I would question why change it? It adds more paperwork...becomes another subcontractor...the way it is now it seems simplest for the builder.”

To try to obtain some different opinions on the issue, the moderator asked if the builders saw any benefit to the ability to directly negotiate prices and HERS rater services. After a brief silence, one builder quietly responded “No”. Another expounded:

“I think it’s a straight cost shift from the utility to the contractor, to the builder.”

The moderator followed by up asking if there was anything they might find appealing about the open market. Several participants responded:

“There would be more competition, more HERS raters, you can bargain their fees.”
“The goal of the utility is to try to get to the higher tier...I don’t see going to an open market and having the ability to negotiate...I don’t see that’s going to bring a higher tier. If they’re already getting incentives now, I’m puzzled as to why they want to change that Program.”

“I will say I’ve never heard anyone complain about the system with the way it is. It works good the way it is.”

Respondents in both focus groups apparently had not given much thought to an open market for HERS rater services until they were queried as a group. Initial impressions revealed an acceptance for enticing more HERS raters into the system, allowing competition for pricing, and expanding the knowledge base to a wider population. However, as discussion ensued, many participants made the assumption that there is a potential threat to the loss of a HERS rater’s independence if builders of homes are directly negotiating a fee for service. The builders were not familiar with “providers,” the companies that provide quality control on the ratings of all certified HERS raters, and generally feared that in an open market, builders would be able to pay for better HERS ratings, compromising the rater’s impartiality.

Many builders also assumed there would be an increase in administration (e.g. interviewing potential HERS raters, filing additional paperwork), and emphatically resisted any change which might add to this burden. Many participants came to the conclusion that the current design of the system functioned very well for them and speculated as to why it was being changed. Many expressed they would like the current system to stay in place.
5 The Effect of Stretch Codes on Business

A number of the focus group participants build in Stretch Code communities. The Massachusetts Stretch Code provides the option for cities and towns that wish to have an energy code for buildings that results in greater energy efficiency in buildings than the base code that is otherwise mandatory for municipalities across the state. As of June 20, 2011, 95 municipalities across Massachusetts have adopted the Stretch Code legislation (Figure 1).

Figure 1: Stretch Code Communities in Massachusetts\(^5\)

From the questionnaire and focus group responses, five of the Framingham participants had experience working in Stretch Code communities with one builder having worked in four Stretch Code communities. The Canton focus group had two participants with experience working in Stretch Code communities, with no one builder working in more than one Stretch Code town.\(^6\)

The moderator began the discussion of the relationship between the Program and Stretch Code by asking if the participants’ experiences in these communities differ from their experiences in

\(^5\) The map may be accessed online at:  
http://www.mass.gov/Eoeea/docs/doer/green_communities/grant_Program/stretch_code_towns.pdf

\(^6\) It should be noted that many communities have adopted the Stretch Code very recently and the builders who have worked in these cities and towns have not had to directly deal with the Stretch Code.
other cities and towns in Massachusetts and the role that is played by the residential new construction Program. Some builders from the onset mentioned building inspectors in Stretch Code communities are in fact less stringent or in conflict with the Program standards they were regularly meeting, indicating some inconsistent enforcement on the building inspector side:

“They don’t want me to use a vapor barrier. Things are going backward.”

“California corners, not allowed—direct conflict with the HERS rater and inspector.”

With respect to the ease or difficulty of going through the actual Stretch Code inspection to receive the occupancy permit, participants added:

“The inspection is easier for the inspector, harder for the builder in the Stretch Code town.”

“In the stretch town, that’s where your HERS rater is going to come in. That stamp will say you met the Stretch Code. We are ahead of most building inspectors on this in Massachusetts. The building inspectors are behind all of us, they are trying to catch up and understand it.”

“I think it’s just another tight spec.”

“As long as I get that piece of paper…I’m covered.”

When asked how the Stretch Code has affected their business, several builders signaled they have learned how to advantageously work within the system, and their experience building higher efficiency homes gives them a competitive advantage in Stretch Code towns:

“[Stretch Code] hasn’t affected mine, but I think it’s early. But I always find the more these towns are overregulated, and we learn to deal with those regulations there’s more of a value to us... They’ve trained me on how high to jump. Other people on the outside might look and say I’m not going to go there... I don’t know how to jump that high...Keeps us somewhat of a commodity in our own town.”

“Find it very easy to work in a Stretch Code community.”

Several respondents made the comment that the more stringent requirements were helping transform the marketplace for more efficient building materials:

“Icynene\(^7\) has probably come down almost half in the last four years. I’m not sure why; maybe because there’s competition. The Stretch Code is going to bring competition to all of this, which should bring all of that down to reasonable levels.”

“I’d like to see the Stretch Code bring the Icynene into the market much more.”

\(^7\) Icynene is a brand name spray foam insulation many builders mentioned as a state of the art product helping them achieve efficiency goals. More information available here: [http://www.icynene.com/](http://www.icynene.com/)
When the participants were asked if they were more likely to work with the Program in a Stretch Code community, all affirmed they would work with the Program regardless. However many believed the stretch code legislation was redundant with the Massachusetts base building code and the Program’s requirements, indicating some confusion about the different standards:

“I don’t understand why stretch code communities is out there...With the Green Communities Act it forces the state of Massachusetts to adopt the most recent IECC code...the base code will be more stringent than the stretch code.”

“Different towns...everyone should be the same.”

“Supposed to be the same [standards].”

For those working in the non stretch code communities, many of the builders said that they would in fact use the stretch code as a guideline to meet the ENERGY STAR requirements:

“We’re always trying to push the envelope, and the Stretch Code is another form of information to me on how to build a better house.”

“I’ve been told if we meet ENERGY STAR we are Stretch Code.”

“Specifically, it’s good that I can justify that spec in a Stretch Code community.”

As far as the role the Massachusetts Program can play for builders’ work in Stretch Code towns with respect to future changes to the Program, the prompt was met with:

“You’re already there [meeting Stretch Code standards as part of the ENERGY STAR Program], so why not be part of the Program and get the incentives and get the HERS rater fee paid partially or fully?”

“Five years from now, what we know as Stretch Code today is going to be building code. We are all going to get there either way.”

“I think it’s going to take a series of years to transform. You need a new generation to come in because the old timers don’t understand; need a new generation, to educate as we get more publicity on this whole thing.”

Those who had built homes in Stretch Code communities had the overall opinion that the legislation was superfluous with respect to ENERGY STAR Program standards, leading to some confusion on the differences between the various standards, such as the stated opinions that meeting the specifications for the ENERGY STAR Program, Green Communities Act, or the most current IECC code is as stringent as Stretch Code requirements.
Appendix A MA RNC Focus Groups with Participant Builders Discussion Guide for Focus Groups on June 21st and June 30th, 2011

1. Introduction 20 minutes
Rules of focus groups

Topic of discussion—The objective of this focus group is to get feedback from builders who have participated in the Program over the past few years about changes made in 2011 and changes which may be forthcoming in 2012. First, however, we want to have introductions and a short discussion of your experiences building ENERGY STAR homes.

Introductions (can read off of the form filled out earlier—Name, cities and towns where building new homes, how many units in last two years, types of homes (single/multi, affordable/market rate, spec/custom), experience building in Stretch Code communities, how many homes have gone through the Program, when started participation in Massachusetts New Homes with ENERGY STAR or its predecessors.

2. Experiences Building ENERGY STAR Homes 25 minutes
What led you to participate in the Program?

[PROBES:
Wanted to build energy-efficient/environmentally friendly structures; they helped me do it
Provided me with monetary incentives
My customers/clients want an ENERGY STAR-labeled home
The label helps me market the homes I build
Was building to ENERGY STAR levels anyway; nice to get incentives
Adoption of the new code (IECC 2009) by Massachusetts meant that needed to meet some of the Program requirements anyway; nice to get incentives
Building in Stretch Code communities where requirements are pretty close to ENERGY STAR levels; nice to get incentives
Other]

What has been your experience meeting ENERGY STAR standards? Please talk about what incentive levels your homes have achieved: ENERGY STAR I or II, Tier I, II, or III, as well as
MA RNC Focus Groups With Participant Builders

Code Plus and homes that failed to pass the final inspection and how valuable your HERS rater was in helping you achieve these levels.

[PROBES:

How easy or difficult to reach these levels; if did not reach the level initially tried for, why not; how much help provided by HERS raters; how valuable they were to the process]

3. Value of ENERGY STAR certification or the ENERGY STAR label

Do you use ENERGY STAR certification in marketing your homes?

[PROBE:

If yes, how is this used; if no, why not; how valuable do they think the label is in marketing homes; does building to higher tiers help with marketing or only the ENERGY STAR label; do customers ask for ENERGY STAR homes]

As you may know, homes with agreements signed after December 11, 2010 earn incentives under Tier I or 15% improvement in efficiency over the Massachusetts reference home, Tier II or 30% improvement in efficiency over the Massachusetts reference home, and Tier III or 45% improvement in efficiency over the Massachusetts reference home. These homes do not have to be ENERGY STAR certified as in the past. Are you building homes under a 2011 signed agreement? If yes, are you planning to have your homes ENERGY STAR certified even though that is not longer required by the Program? If you do not have any homes signed under the 2011 Program, do you plan on participating in the Program in the future? Do you think you will have your homes ENERGY STAR certified?

[PROBE:

Why or why not seeking ENERGY STAR certification? Marketing, requirement for low income homes, requested by customers, and other reasons?]

4. Open market for HERS raters

As you may have heard, the Program is considering moving to a full open market for HERS raters starting in mid-December 2011. This means, among other things, that the Program will no longer subsidize the cost of HERS raters. The raters’ fees would be negotiated between the builders and the raters. Before we talk about the impact of this Program change, have you been paying fees to your HERS rater in addition to what the Program pays? If yes, what services have they provided for these fees?

[PROBE:
See if they will divulge how much they have paid raters along with a brief description of the home involved; also what services the raters provided.

How worthwhile were the rater services provided for the fees the builders paid? Do the builders think this was money well spent?

Do they have any experience negotiating with the raters on the fees paid? How well did that work out?

If they paid the raters anything, did they talk with more than one company before choosing a rater? How do they decide on the rater they use?

Would the open market for HERS raters affect your decision to participate in the Program? Why or why not?

[PROBE: How important are HERS rater fees given the overall costs of building a new home?
How important are those fees given the incremental costs of building above code?
How much of the decision is governed by the fact that they are building in communities with Stretch Codes?
How much of the decision is governed by the fact that they are building low-income homes?]

What appeals to you about the open market for HERS raters? Are there any concerns not already mentioned that you have about it?

[PROBE:
Being able to negotiate directly with HERS raters, having the raters more responsive to the builders’ needs.
Negatives: cost, finding and recognizing good raters to work with]

5. Stretch Code Communities 15 minutes
A number of you build in Stretch Code communities; we would like to get your feedback on how your experience in these communities is different from that in other cities and towns in Massachusetts and the role played by the Residential New Construction Program.

[PROBE:
What has the adoption of the Stretch Code by some communities generally meant for your business? Why? How would your business be affected by more communities adopting the Stretch Code?
Are you more likely to pursue an Energy Star label for homes in stretch communities?}
What is the most valuable element of the Residential New Construction Program for you when meeting the Stretch Code?

In non-Stretch Code communities, do you use the Stretch Code requirements as a guide for reaching Energy Star standards?

Are the requirements similar among the communities? How about the inspection procedures? If not, how do they vary? Are the inspection procedures more stringent for Stretch Code communities than for towns that have not adopted the Stretch Code?

6. Wrap-up

Do you have any thoughts to add about your experiences with residential new construction Programs in Massachusetts, especially as they relate to changes in the 2011 and 2012 Programs?
Appendix B  Massachusetts New Homes with ENERGY STAR Builder Focus Groups – Questionnaire

Please answer the following questions regarding your participation in the Massachusetts New Homes with ENERGY STAR Program prior to participation in tonight’s focus group. Please answer all questions for Massachusetts only.

1. Name: __________________________________________

2. Cities/Towns where you typically/currently are building new homes:

________________________________________________________________________
________________________________________________________________________

3. How many homes of all types have you built in the last 2 years? _________________

4. How many homes have you built in the last 2 years through the Program? ________________

5. What percentage of the homes that you build fall into each of the following categories?
   - Single-family _____% vs. Multi-family _____%
   - Affordable _____% vs. Market rate _____%
   - Spec _____% vs. Custom _____%

6. Which of the following incentive levels have your homes achieved?
   - ENERGY STAR version 1? Yes / No
   - ENERGY STAR version 2? Yes / No
   - Tier I? Yes / No
   - Tier II? Yes / No
   - Tier III? Yes / No
   - Code Plus? Yes / No
7. Do you have experience negotiating with HERS raters for fees/services?  Yes / No
   • If yes, was your experience generally:
     ○ Positive / Negative / Neutral?

8. How many green/Stretch Code communities have you worked in?  __________

9. Do you have a favorable or unfavorable view of working in Stretch Code communities?
   • Favorable / Unfavorable

10. Are the Stretch Code requirements similar among communities?
    • Yes / No

11. For your company, would an increase in the number of Stretch Code communities be:
    • Positive / Negative / Neutral?

12. Are inspections more stringent in Stretch Code communities than in others?
    • Yes / No

13. In 2011, the Program does not require ENERGY STAR certification for incentives.
    Because of this, do you think the number of ENERGY STAR homes you build will:
    • Increase / Decrease / Stay the same?
Appendix C  MA RNC Focus Groups with Participant Builders Screener for Focus Groups on June 21, 2011

Hello, may I speak to [SPECIFIED RESPONDENT]? Hello, my name is ______, and I’m calling on behalf of the sponsors of the Massachusetts ENERGY STAR for New Homes Program. Your company participated in this Program for the [NAME OF PROPERTY or say “property at [NAME OF ADDRESS]”] in 2010. The sponsors have asked us to conduct a focus group of participating builders on Tuesday, June 21st from 6 to 8 pm in Framingham, Massachusetts and would like your input. For your participation, we will pay $250. We will also be serving an informal dinner. Your input is important in providing feedback to the sponsors about recent and forthcoming changes to the Program. Our discussion should take about two hours. Please be assured that your comments will be kept confidential—that is we will not link you or your firm directly to any of your comments.

[If the respondent asks who sponsors the Program and focus group, read the following list: National Grid, Bay State Gas, Berkshire Gas, Cape Light Compact, New England Gas, NSTAR Electric and Gas, Unitil/Fitchburg Gas & Electric, and Western Massachusetts Electric. If the respondent wants to contact one of the sponsors, offer Bill Blake of National Grid at 781-907-1583 or William.Blake@us.ngrid.com as a contact.]

[If the respondent says s/he is not interested, continue below]

If the date and/or location is inconvenient for you, there will be another focus group conducted on Thursday, June 30th in Canton, Massachusetts. I can tell the recruiters at that facility that you are interested and they will contact you.

[If the respondent agrees to participate in the Framingham focus group or says s/he is interested in the Canton focus group, continue below.]

I just need to ask you a few questions for our records:

1. First, I want to confirm that you are the person that has dealt with the requirements and process necessary to have the newly constructed homes participate in the Program and receive the ENERGY STAR label.

2. How many years have you or your company been building ENERGY STAR homes? ________

3. How many homes or housing units have you built over the past two years? ______

4. What cities or towns have you built in during the last two years? ______

5. How many of these homes or housing units are
   a) Detached single-family home
   b) Townhouses or duplexes, with a wall separating the units from basement to roof, and with separate utilities for each unit
c) Units in two, three, or four family buildings—with no basement walls separating the units, or with one water and sewer bill for the whole building
d) Part of a building with 5 or more units

6. How many of these homes or units are low-income or affordable and how many are market rate?____

7. Are all the homes you build certified as ENERGY STAR? ____ If not all, about what portion of your newly built homes are certified as ENERGY STAR? _____

8. For the homes that you build, for about what portion do you
   a) Start out owning the land that you then sell to the customer and build on____
   b) Build the home, at least partially, on land you own and then sell to customers_______
   c) Are hired by the customers to build a home on land that they owned from the outset____

Confirm that the respondent will come to the focus group, best way to reach him/her, and provide directions (if in Framingham); tell the respondent they will be contacted within three weeks (if expressed interest in the Canton focus group).