

Green-Building Appraisal and Financing Issues

'We'll lend you money for the house, but not for the solar or the spray foam'



By Michael Chandler | December 16, 2009



1685648 Active Residential LP: \$ 499,000
 Property Leased:
 86 Bingham Ridge Drive
 City: Pittsboro AreaSub: 305/C List Type: EA
 Zip: 27312 Yr Bld: 2008
 Subdivision: Bingham Ridge Nbrhd: SP:
 Seller's Name: MCF Builders of Chatham Co. Open House: 09/20/09 Sold Dt:

School Information

Elementary 1: Chatham - Perry Harrison Elementary 2:
 Middle 1: Chatham - Perry Harrison Middle 2:
 High 1: Chatham - Northwood High 2:
 Directions: From Chapel Hill: 15-501 S. T/R on Mann's Chapel Rd. Go 2 miles, T/R on Poythress Rd. Bear left at the white chapel onto Lamont Norwood Rd. Go 2 miles, T/R on Bingham Ridge Dr. From Raleigh: 64 W. T/R on 15-501 N T/L Mann's Chapel

Remarks: This high performance Craftsman style home seamlessly blends energy efficiency and elegant design in a truly modern home. Energy Star and GBI certified w/ active SOLAR built to provide years of low operating costs & gracious living in the open sunny floorplan. Enjoy peaceful living in this quiet rural enclave of only 39 homes \$20,000+ in Renewable Energy Tax Credits Available!

Rooms / SqFt Information

Living Area	Above Grade: 2921	Below Grade: 0	Total: 2921
Other Area	Above Grade: 576	Below Grade: 0	Total: 576
# Rooms: 8	Beds: 4	Full Baths: 3	Half Baths: 1

Living Area-Room Dim/Levels

Entry Hall:	Office/Study:	Master BR:	Bedroom 5:
Living:	Kitchen:	Bedroom 2:	Utility:
Dining:	Breakfast:	Bedroom 3:	Bonus:
Family:		Bedroom 4:	

Other Area-Room Dim/Levels

Garage: Main	Storage: Main	Patio:	Scrm'd Porch:
Carport:	Porch: Main	Deck: Main	Bonus

General Information

Lot Dim: Irregular Lot #: 21 Appx Acres: 2.00 Foundation: Sealed Crawl Zoning:
 New Construction: Yes Est Fin Date: 1/2008 HUD Compliant Senior Housing:
 Builders Name: Restrictive Covenants: Y In City: No
 HO Assoc. Mgmt: Total HOA Dues \$ 250/Annually Fireplace: 1
 HOA Phone:

Financing and Taxes

Tax Value: Tax Rate: 0.8642 TMBK/PAR/LY or Deed Page:
 Financial Comments: Legal Desc: Lot 21 Plat Slide 2006/0028 Pin #: 9756-34-9180

Features

Design: 2 Story Exterior Deck, Gutters, Ins. Window, Landscaped, Porch, Screen Porch, Walking TI
 Property Type: Detached Features:
 Construction Type: SITEBT
 Acres: 1-2.9 Acres Style: Active Solar, Craftsman, Passive Solar, Photovoltaic
 Exterior: Fiber Cement Basement
 Finish: Desc:
 Roof: 25 Year Warranty, Shingle/Roof Age 0-5 Years Heating: Dual Zone, Forced Air, Solar Passive/Heat Age 0-3 Yrs
 A/C: Central Air, Heat Pump/A/C Age 0-3 Years Water Heater: Solar
 Fuel-Heat: Solar, Electric, Solar Water/Sewer: Septic Tank, Well
 Fireplace: Direct Vent, Gas Logs, In Great Room Parking: 2 Garage, DW/Concrete
 Desc: Financing: New Needed
 Lot Desc: Hardwood Trees, Partial Cir Dining: See Remarks
 Fees: HO Association Washer/Dryer: 1st Floor, Utility Room
 Include: Loc:
 Assumption: No Assumption Interior: 9 Ft Ceiling, Attic Pull Down, Bookshelves, Ceiling Fan, CerBth Wall, Grar
 Other: Features: Counter Tops, Smoke Alarm, W.I. Closet
 Rooms:
 Equip: Dishwasher, Dryer, Gas Range, Ice Maker Connection, Garage Opener, Spec. SVC.
 /Appl: Microwave, Range Hood, Refrigerator, Self Clean Oven, Washer
 Green: Solar Hot Water, Sealed Crawl Space, No-Low VOC in
 Features: Paints/Sealants/Varnishes, Spray Foam Insulation, Engineered Wood
 Green Certs: ENERGY STAR Homes, GHBT Green Certified Home

Showing Instructions

Show Instruct: Appointment Only Agent Phone: 919-971-1093 Agent Appt Ph: 919-595-8989
 List Agent: C25262/ Betty Cross Office Phone: 919-942-9214
 List Office: 2203/ Silverwood, Inc. CoList Agent Ph:
 Co List Agent: Comm to Sub Agt: 0 1/2 N CoList Appt Ph:
 Comm to Buy Agt: 2.5/ 1/2 N LADOM: 82 CDOM: 82
 List Type: EA-Exclusive Agency Possession: ATC PE: No
 Copyright: 2001-2009 by Triangl MLS, Inc. **Information deemed RELIABLE but not GUARANTEED** Date: 12/07/20

A green home listing from our new green MLS. At least now when appraisers want to understand the cost of green, they'll know that this house is green and Energy Star certified and has solar hot water and PV, among other green features.

Image Credit: Marsha Burger, EcoBroker

I have a customer who is pre-approved for a \$400,000 new home. We have the land and a design that fits my customer's budget. But the bank's appraiser says that if we build it as designed (passive solar with solar hot water, radiant floor, spray foam in the roof, high-performance windows and insulation), they won't appraise it for the cost of construction, and the owners will need to come up with a bigger down payment. They don't have the cash, ***so we'll have to eliminate the solar and spray foam so that they can get the loan.***
What's going on here?

Appraising is an actuarial science and a lousy business. For a \$300 to \$400 fee, an appraiser chosen at random from an appraisal referral service must find other recent resales in a similar location with similar size and features, called "comps," and draw a defensible conclusion as to the value of the subject property. If the bank's underwriter in another state finds any inconsistency in the report, they will "kick it back" and make the appraiser correct it at no charge. Only resales can be used as comps; all custom homes are excluded from the MLS database because they "don't reflect true arm's length valuation," in that we rascally green builders can con our poor customers into investing in unproven technologies like solar that might not hold value in the resale market.

So, solar is valued at 50 cents on the dollar, as is spray foam. And if my \$400,000 price includes \$8,000 for solar and \$4,000 for spray foam, the house will appraise for \$394,000 and the buyers will need to add \$6,000 to their down payment. ***They're still pre-qualified for \$400,000, so they can add in a Jacuzzi or a home theater if they want, but they can't have the solar or spray foam unless they can come up with more cash.***

Q&A: Refinance and Appraisal of Net-Zero Home

Part of the problem is that the appraisers get their data from an MLS that doesn't necessarily show them what green features are included in the homes that have been sold. Another part of the problem is that most of the homes that have high-performance green features are built as customs on the owner's land, and these sales are excluded

from the MLS. We need a green-enabled MLS and we need a way to get custom home sales included in the appraisal database.

The Green Building Council of our local HBA has been sending speakers to educate Realtors, appraisers, and bankers about green building for quite a while now. It's a tough crowd, too. But we've managed to get a group of the most receptive of them together, and we've created a "Green MLS" and implemented it. (Marsha Burger and Michele Myers deserve medals for this.) So now, when homes with green features and certifications are listed in the MLS, those features can be promoted, their effect on the resale price can be noted, and value trends may support lending for green building. The bigger problem of systematically gathering custom home cost data and incorporating it into the MLS for valuation purposes seems much farther away.

NPR recently reported on [similar green MLS work](#) being done in Portland, Seattle, California, and New Mexico. We need to take this national. The work of our group is attached to this post; steal it, repeat it, make it better, find a way to get custom homes included. Or we can just keep building and remodeling green for the folks who can afford the big down payments.