NAR and the Environment: What Will the Next Decade Bring?

By Craig Foley

It comes as no surprise that the United States faces great challenges in how we use and produce energy. The environmental and economic consequences of future policies on this issue will greatly shape our cities, country, and the world. Certainly some of the policies will include the buildings that we live and work in, which are responsible for consuming 41% of U.S. energy output¹. The National Association of REALTORS® viewpoint on our energy and environmental challenges in the past reveal s a willingness to participate in the complex problems that we have faced.

Reviewing the trade organization’s history on these issues must start with the National Association of Realtors® (NAR) Code of Ethics. Originally written in 1913, the Code was established to create standards of conduct for the real estate sales industry. Like the U.S. Constitution it is a “living document” designed so that it can adapt to the changes in political will and social evolution. In 1924 a preamble was written for the Code of Ethics by Arthur H. Barnhisel², the chair of the 1924 Ethics Committee. The preamble starts with a five-word sentence that is as elegant as it is simple, “Under all is the land.” The second sentence is equally clear and highlights the organization’s commitment to land preservation, “Upon its (the lands) wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization.” To this day, despite other revisions, those two sentences have remained unchanged in the preamble.

Since Barnhisel’s words were crafted, NAR’s stances on the environment, energy efficiency, and climate disruption have evolved. Not only has the preamble changed, but other formal commitments and policies have been published by the real estate industries largest trade organization. Not surprisingly, the evolution of NAR’s communiques reflects the changes in U.S. societal views on the environment.

An excellent example of this appeared during the social upheaval of the 1970’s and the beginning of the environmental movement. In 1970 the first national Earth Day was celebrated, the Environmental Protection Agency was established, as well as the National Oceanic and Atmospheric Administration (NOAA). Within the context of the birth of the environmental movement also came the first oil price shock of 1973 and subsequent stock market crash. In 1974, NAR added “the preservation of a healthful environment” as the last six words of the first paragraph of the preamble. Since those words were added to the preamble on November 14th, 1974³, they have stood their ground. Drop down tile ceilings, fortunately, have not.

The 1980s and 90s brought with them a political focus on small government and removing overly burdensome regulation on business. The conflict between entrepreneurship and regulation and

¹ http://www.eia.gov/tools/faqs/faq.cfm?id=86&t=1
² http://infocentral.blogs.realtor.org/2013/02/05/uncovering-the-origins-of-%E2%80%9Cunder-all-is-the-land%E2%80%A6%E2%80%9D/
³ Russ Carlson, Archivist at NAR Library
oversight has a long history of being difficult to balance. In many respects NAR has been influential in helping support small business and property rights, but has also felt the negative impacts of under-regulation. Finding the right mix will be critical for the real estate industries success as we move forward in the 21st century.

In October, 2004 the National Association of REALTORS® took occupancy of the first privately-owned LEED Silver certified4 commercial building in the nation’s capital. The 12-story office building was built on a derelict brownfield site at 500 New Jersey Avenue, a short distance from the U.S. Capitol. The architecture not only reflects an innovative reuse of an environmentally challenged site, but also the trade organizations’ growing influence in Congress.

In 2008, NAR published a formal statement asserting its views regarding energy efficiency policy and its potential effect on property owners, “NAR policy supports improving energy efficiency through voluntary incentives, commercially reasonable approaches and education in lieu of individual building mandates. The policy opposes applying existing laws / regulations that are not designed for global climate change; provisions that impose economic burdens on property owners or managers; or triggering such requirements at the time when real property is sold.”

This stance reflects not only rising consumer awareness of energy-efficiency improvements on the built environment, but also a challenging time for the business of selling real property - the meltdown of the mortgage industry. The organization worried that any policy that could further complicate real estate transaction was not advisable. Real estate agents throughout the country were experiencing the effects of the mortgage meltdown in their bottom line and were unwelcoming to any mandated requirements that could further complicate the transaction.

Also in 2008, NAR created the Green Resource Council to educate Realtors® about green industry standards and administer the GREEN Designation program.5 The designation is the only NAR conferred real estate designation for agents seeking a deeper understanding of energy efficiency and sustainability. Again, the GREEN Designation was another marker of increased consumer awareness of green building standards and a rising interested in making the buildings in which we live and work healthier and more energy efficient.

2010 marked the beginning of the NAR publication of On Common Ground, a biannual magazine for practitioners and policy makers interested in smart growth development. The magazine covers a variety of environmental issues ranging from renewable generation sources to transit oriented development.

In 2011, NAR began the process of advocating for a long-term solution for the National Flood Insurance Program (NFIP). The federal program began in 1968 as insurers were unwilling to give homeowners flood insurance policies. After Hurricane Katrina in 2005 the program had to borrow from U.S. taxpayers in order to meet its obligations to home and business owners after “several catastrophic loss years in a

4 http://greensource.construction.com/projects/0606_NAR.asp

row.”⁶ NAR claimed victory in July, 2012 when H.R. 4348, the Surface Transportation Bill (also known as Biggert-Waters) was signed by President Obama. The bill allowed a long-term authorization of the NFIP (there had been numerous short-term stop gap measures over the previous years) in exchange for restructuring the program that had become financially unsustainable. The restructuring phased out taxpayer subsidies to home and business owners in the most at-risk areas of the country, and brought the rates to actuarial levels.

On October 29th, 2012, Superstorm Sandy made landfall in New Jersey. Estimated damages from this hurricane approached $70B. On January 1st, 2013 properties owners started paying the higher actuarial rates as subsidies were removed. The actuarial rates on the, now unsubsidized, home and business owners in the high risk flood areas made some insurance policies jump dramatically. NAR continues to work with Congress on finding solutions for a problem that impacts home and business owners as well as a federal program that cannot meet its financial obligation as climate disruption intensifies.

In July, 2014, with the vision of the current NAR President, Steve Brown, the first NAR Environmental Summit was convened in Washington, D.C.⁷ In Brown’s opening remarks for the conference he cited Barnhisel’s first five words of the Code of Ethics, “Under all is the land.” During the two-day conference the sentence, “We do not inherit the earth from our ancestors, we borrow it from our children” was repeated multiple times.

In 2015, NAR published an update on its stance on energy efficiency and climate change⁸. The update states, “increased energy conservation and energy efficiency, coupled with expansion and development of existing and new domestic energy sources are essential to our nation’s security and economic prosperity.” One can see, in the statement, not only the development of U.S. renewable energy generation, but also the increase in domestic fossil fuel production with innovative drilling technologies. Furthermore it states support for, “Market-based cost-effective solutions energize the nation’s entrepreneurial spirit and drive innovation in cutting emissions and growing domestic supplies of carbon-based and renewable forms of energy.”

As the chronology indicates, the pace of NAR’s awareness and willingness to address the challenges property owners face regarding climate disruption and our collective responsibility to lower energy use has accelerated greatly in the last ten years. The last ten years have also brought home the impact of super-storms like Katrina and Sandy, increased drought in the Southwest, and flooding due to volatile precipitation events and rising sea levels, but during the same time we have also witnessed an increase in domestic fossil fuel production. What will the next decade bring?

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⁶ http://www.realtor.org/topics/national-flood-insurance-program-nfip/background
⁷ http://speakingofrealestate.blogs.realtor.org/2014/08/06/under-all-is-the-land-but-what-if-its-under-water/
⁸ http://www.realtor.org/topics/energy-efficiency-and-climate-change/background
About the Author: Craig is a Massachusetts Realtor® that serves on the 2015 Land Use, Property Rights, and Environment Committee for the National Association of REALTORS® as well as an advisory board member of NAR’s Green Resource Council.