



April 15, 2024

The Honorable Senator Mitchell, Chair Frentz, and Members of the Energy, Utilities, Environment, and Climate Committee

Re: Concerns Regarding Bill on Energy Efficiency Standards SF 4202

Dear Senator Mitchell and Members,

The Builders Association of Minnesota (BAM) is a statewide business association representing the home building industry. Our membership of nearly 1100 is made up of home builders, remodelers, developers, subcontractors, suppliers, realtors, financial institutions, and other industry-related businesses.

The Builders Association of Minnesota is the oldest statewide building association celebrating 50 years of serving the construction community. BAM is writing to express our concerns about the proposed legislation that mandates an 80% reduction in energy consumption for new home construction SF 4202. While we strongly support energy efficiency initiatives, we believe the bill's 80% target may be unrealistic and counterproductive.

Balancing Cost and Savings:

Achieving an 80% reduction with cost-effective construction methods is highly challenging. While current code-compliant homes average \$500 annual heating bills and under \$100 for annual cooling bills, an 80% reduction might only save homeowners around \$480 a year. This raises the question: **How much will construction costs have to increase to achieve this reduction?**

Impact on Affordability:

The significant cost increase associated with such a drastic energy reduction standard would have a dramatic impact on our ability to build affordable housing. This could potentially price out many potential homebuyers, particularly those in the lower income brackets. **A 7% cost increase could result in \$25,000 or more for even modest new home builds, and we think this is underestimated.**

Allowing for Flexibility in Achieving the Energy Goal

This bill is prescriptive in how the goal must be achieved. Mandating a 10% reduction in net energy consumption with each building code update is very restrictive and does not allow for innovative solutions that make gains higher than 10%.

Focusing on Existing Housing:

Many existing homes, especially older ones, contribute significantly to overall energy usage. Targeting these homes through retrofitting programs or even incentivizing replacement with new, energy-efficient units might yield greater energy savings compared to focusing solely on new construction. **Enforcing the current state building code in all our communities is the most straightforward means to achieving more energy efficiency in our homes.**

Recommendations:

We encourage you to consider incorporating the following elements into the bill:

- **Cost-Benefit Analysis:** A provision requiring an analysis of the cost increase associated with achieving the 80% reduction and establishing an acceptable payback period for homeowners.
- **Focus on Existing Housing:** Exploring programs geared towards retrofitting and potentially replacing highly inefficient existing homes.

Thank you for considering our concerns. **We believe a more balanced approach that promotes long-term sustainability and energy savings without jeopardizing affordability is critical.** I am available to discuss this matter further and would appreciate the opportunity to collaborate on finding an effective solution.

Sincerely,

Grace Keliher

Executive Vice President of the Builders Association of Minnesota

161 Rondo Ave, St. Paul Minnesota 55103