

Re: SF 4202

Dear Senators,

I am writing to provide this written testimony in support of SF 4202 and similar efforts to drive greater energy efficiency in our homes.

Minnesota's building codes have fallen far behind national and international standards, and prompt legislative action to remedy this is very important to remove confusion in the marketplace and help Minnesotans qualify for federal tax rebates, more favorable loans, and a wide range of utility company rebates.

As a Minnesota resident, former real estate finance professor, and real estate professional with experience in commercial and residential building construction, renovation and investments, I have learned the importance of creating high-quality, energy-efficient structures. This helps our families, communities and the planet. And it has proven to be a wise financial decision.

The proposed bill would make significant progress toward aligning Minnesota's building codes with national and international standards. Current federal incentives under the Inflation Reduction Act, more favorable loans from a wide range of national lenders, and various utility company incentive programs are available if our residential structures achieve Energy Star or DOE Zero Energy Ready Home certifications and other nationally recognized energy performance standards.

Let me touch first on the tax incentives topic:

- Our current energy codes are antiquated and create confusion for Minnesota homeowners and businesses when they are contemplating new home purchases or renovations. Minnesotans who complete a new home or home renovation and hope to benefit from Federal tax benefits, more favorable loans, and local utility incentives presume that if they

build “to code” they have an opportunity to gain these significant financial benefits. Unfortunately, they more often hear, “sorry that’s the lesser ‘Minnesota code’ and that isn’t good enough.” The current Federal standards are based on the 2021 International Energy Conservation Code (2021 IECC). Minnesota’s standards are based on 2012 codes. When Minnesota homeowners learn of this discrepancy it is generally too late to do anything about it.

Next, let me comment on the broad range of loans available for energy efficient homes:

- Fannie Mae Green Rewards,
- Freddie Mac GreenCHOICE Mortgages,
- FHA’s Energy Efficient Mortgage program,
- VA Energy Efficient Mortgages, and
- a wide range of private lenders provide higher loan proceeds, lower interest rates and other benefits vs. regular mortgages for “normal” homes.

Making new and existing homes more energy efficient creates opportunities for Minnesotans to secure more favorable terms on their mortgages, as well as access to loans to finance energy efficiency renovations. The Minnesota Housing Fix-Up Loan Program is an example of an existing state financing program promoting energy efficiency.

Finally, let me comment on existing utility incentives:

- Xcel Energy and Centerpoint’s High Efficiency New Homes Program,
- Minnesota Power’s various rebates and efficiency programs,
- Rochester Public Utility’s Conserve & Save Rebates, and
- The majority of other utilities serving Minnesota residential customers are linked to higher than code energy efficiencies.

In summary, there are many reasons that Minnesota's codes should be modernized and aligned with national and international standards.

In an ideal world, Minnesota would also shift to a 3-year adoption schedule and seek to maintain alignment with the International Energy Conservation Code ("IECC") shortly after each internationally vetted and recognized version is enacted.

And also in an ideal world, if the government is to reimburse the cost of ratings reports, as is proposed in this bill, then it seems appropriate that those seeking rebates be required to provide a copy of the rating report to the Commissioner, and that the Commissioner be obligated to provide summary reports each year so the public and policy makers can monitor the actual performance of new structures, and track progress. Please consider this as a minor text amendment to the existing bill language.

Some less experienced builders assert that stronger codes and more stringent energy standards are a barrier to home construction or increase costs. I have not seen any evidence of this. Comparisons of housing costs across Minnesota to various neighboring states with even less stringent codes is misleading as those costs include land and land-based regulations, which are very different across Midwest states. In contrast, most reputable research says that sometimes modestly higher "first costs" are actually lower on a "net cost" basis when factoring in available tax and utility rebates. And "life cycle costs" are universally lower, and often much lower, for more energy efficient homes. This actually enhances affordability, because utility costs are a huge burden on all families, and especially low-income families and seniors. Even Habitat for Humanity, one of the largest homebuilders in Minnesota, working with volunteer labor, is able to achieve higher building performance aligned with national standards. Please review the performance of Habitat homes before giving any credence to

homebuilder association assertions that it is “too hard” or “too expensive” to build more energy efficient homes.

The majority of homes on the popular Parade of Homes home show (248 of the 386 homes in this year’s show) already achieve the standards set forth in SF 4202 and many even achieve HERS ratings of 50 or below and ACH metrics below 2.0. Said differently, our homebuilders know how to do this and many are already delivering high-quality, energy-efficient homes cost effectively.

I hope it is self-evident that adopting uniform standards also aligns Minnesota homebuilding with practices elsewhere and helps create broader markets, leading to greater competition, greater efficiencies and lower costs. Finally, it should also be self-evident that modern energy codes and the drive toward net zero energy use in buildings better mitigate the causes and effects of climate change.

Thank you for supporting and passing SF 4202. Please consider amendments shifting to a 3-year code adoption cycle and requiring energy ratings reports be submitted to the Commissioner as part of the proposed rebate program. Thank you.

Jamie

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