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12-BSTD-01

DATE MAR 27 2012

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Commissioner Karen Douglas
Lead Commissioner for Energy Efficiency
California Energy Commission
1516 9th St., MS-31
Sacramento, CA 95814

Re: Docket number 12-BSTD-01, Comments to the California Energy Commission by Avery Kinter on the Value of Higher Efficiency Standards

Dear Commissioner Douglas:

Please accept the following comments into the Docket #12-BSTD-01 as part of the 45 Day Language hearings that were held on March 12 and 13, 2012. These comments relate to the economic value and impacts of higher efficiency standards on building costs.

I am extremely supportive of the building industry and believe the path to higher efficiency is also the path to overall economic recovery and employment growth in this critical industry. A higher efficiency and sustainability standard also creates a better risk management position for the industry as these elements *generally* drive the installation of higher-performing, quality products.

That being said, the cost of higher performance standards should be evaluated in conjunction with opportunities to reduce impact fee and entitlement processing costs for the industry, especially as builders implement proposed reach standards. A collective evaluation of these costs may further offset the projected first cost to builders and enhance their ability to move beyond base code requirements.

My general comments are as follows:

1. Higher performance product will further differentiate new homes from the existing, older, less efficient inventory of resale and foreclosed homes. This difference spans three elements extremely important to prospective homebuyers: affordability, health and comfort. The proposed code provides elements that enhance each of these drivers. As new, higher performance homes are introduced into the market, existing home owners will be increasingly inclined to embrace retrofits to enhance the marketability of their existing homes or reduce their ongoing cost of ownership.
2. Lower projected operating costs of new homes will resonate in the market and the cost impacts will likely be offset by additional revenues attained for higher performance homes. In addition, as California moves toward Net Zero Energy standards, new product built under the proposed code requirements will require fewer enhancements to meet this goal than our historical building inventory – creating further value to the consumer.

3. The SAVE Act currently being promoted at the national level requires the energy cost of a home to be incorporated in the underwriting of loans. If successful, much of the cost impact will be mitigated because at the end of the day, a prospective consumer who qualifies for a \$2,500 monthly payment will choose between a home with a \$2,100 mortgage and \$400 per month utilities and one with a \$2,400 mortgage and \$100 utilities or a net zero energy home with a \$2,500 mortgage. The Act is a game changer and the code update will enable customers to purchase a better home in their area of choice by ensuring lower utility costs. In other words, with SAVE Act underwriting, customers buying highly efficient product will have greater buying power. Furthermore, the Leading Builders of America Group and the Institute for Market Transformation support the perspective that (i) the market for high performance, energy efficient product has tremendous opportunity for additional growth and (ii) energy efficient homes are less risky to underwrite by creating a lower monthly expense in owning and operating the home.

Lastly, it is important to acknowledge that builders will adjust their pro forma assumptions utilized for purchasing land to be aligned with the new code. For future acquisitions, builders have a higher, level playing field with respect to assumed building cost when they bid on property. As a result, they will adjust their bids for land (residual cost) on new acquisitions. Lower land residuals effectively lower up-front capital expenditures by the cost of the measures and to the extent they are able to recover or exceed the cost in revenue (value by the consumer), the effect may raise their overall returns.

Leading builders already perceive this opportunity and are moving in this direction. Once the code is implemented, the end result will be a more vibrant, successful building industry. This will also provide consumers with greater financial satisfaction with their purchase of a healthier, more comfortable home.

Sincerely,

Avery

Avery Kintner
Empowered Energy Solutions