

Resolution No. 5

Date: February 12, 2008

City: Orlando, Florida

NAHB Resolution

Title: Cost-Effective and Affordable Energy Codes and Standards
Original Sponsor: Construction, Codes and Standards Committee

WHEREAS, the National Association of Home Builders supports energy codes and standards if the provisions are cost-effective for home buyers in all areas of the country, and, in effect, minimize total homeownership costs;

WHEREAS, NAHB supports reliable and verifiable studies intended to determine levels of energy efficiency that are cost-effective and the development of methods that simplify compliance with energy codes and standards;

WHEREAS, NAHB's analysis of the most recent Department of Energy Residential Energy Consumption Survey shows that, on a per-square-foot basis, the voluntary efforts of the nation's home building industry have resulted in a reduction of two-thirds in the energy consumption of core HVAC uses controllable by builders when compared to housing constructed in the decade preceding the survey;

WHEREAS, codes and standards that are not explicitly based on cost-effectiveness criteria may place an undue financial burden on home owners and result in housing that is less affordable;

WHEREAS, NAHB analysis of Census data has shown that a \$1,000 increase in the price of the median-priced new home would prevent 217,000 U.S. households from being able to qualify for a mortgage to purchase that home;

WHEREAS, a simple payback period, defined as the initial cost divided by the first-year savings, provides a method for evaluating the costs and benefits associated with energy efficiency that is relatively easy to apply in practice and easy for housing consumers to understand;

WHEREAS, consumer research conducted by NAHB and other organizations produces results that vary but indicate a payback period for first-time home buyers that ranges between five and 10 years;

WHEREAS, energy efficiency changes must be evaluated on an incremental basis where the cost and savings for each change are calculated independently, and added successively to a baseline that includes existing energy provisions as well as the other changes in a particular proposal;

WHEREAS, energy efficiency changes are often bundled together in proposals that do not take into account interactive factors (e.g., savings from proposed changes to the thermal envelope that are offset by simultaneously proposed changes for higher efficiency heating, ventilation and air conditioning and, when considered together, are not cost-effective;

WHEREAS, Congress is considering legislation requiring all states to adopt an energy code that meets or exceeds the most recent editions of the International Energy Conservation Code (IECC) or American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE) 90.1 for all new home construction;

WHEREAS, efforts to increase energy efficiency through the codes and standards development processes are ongoing;

WHEREAS, the levels of energy efficiency required by the codes and standards are frequently arbitrary and are not based on cost-effective criteria as defined by NAHB policy; and

WHEREAS, a buyer of a home who qualifies to purchase the home before the addition of the increased energy efficiency provisions should still qualify to purchase the same home after the initial cost of the energy-saving construction features is added,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge lawmakers, regulators and other policymakers to support only those energy codes, standards and legislation that are cost-effective and affordable;

BE IT FURTHER RESOLVED that NAHB define increases in energy efficiency provisions of energy codes and standards to be “affordable” only if principal, interest, taxes and insurance, plus utilities, will be no greater after the inclusion of the cost of the additional energy-efficiency features required by any new energy code or standard provision than before;

BE IT FURTHER RESOLVED that NAHB consider increases in energy efficiency provisions to be “cost-effective” only where the initial cost and annual savings to home buyers meet the following criteria:

1. Are analyzed from the perspective of first-time home buyers, who typically have modest incomes and limited resources for downpayments;
2. Are based on the final cost to the home buyer rather than the change in costs to the builder;
3. Are estimated using methods and data that are reliable and verifiable;

