

Regulations Add Costs to Hard-hit Homebuilders, Provide Minimal Environmental Benefit

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Over the past several years, state policymakers have imposed a wide variety of policies in an effort to reduce greenhouse gas emissions. In order to achieve these policy goals, Governor Gregoire and Legislators have both ordered the State Building Code Council to add to the state's already high energy standards through the state's building codes.

The separate policy paths chosen by the Governor and the Legislature have yielded conflicting goals, that needlessly drive up costs for a homebuilding industry the Governor calls "one of the hardest hit"¹ in the current recession. Meanwhile, these policies, which are meant to reduce greenhouse gas emissions, yield negligible environmental benefit.

While energy conservation is important, lawmakers should consider the costs associated with these tougher policies and examine if we will reach our goals and then provide additional direction to the Council, clarifying how the state should achieve its goal of reducing emissions in the built environment. To ease the economic burden on the construction industry, and on homebuyers, lawmakers should:

1. Defer implementation of state's costly 2009 energy codes;
2. Require a complete cost/benefit analysis, including a Small Business Impact Statement that is to be approved by the Legislature, before adding any new building codes, and;
3. Require an analysis showing the total amount of emissions that will be reduced through new energy code requirements.

By doing so, lawmakers can provide some of the regulatory relief the construction industry needs in order to recover.

Background

In 2007, the Governor imposed a set of goals intended to reduce greenhouse gas emissions in Washington. Under the Governor's direction, the Climate Action Team (CAT) developed a variety of policy strategies meant to achieve the goals outlined in Executive Order 07-02, "Washington Climate Change Challenge."

¹ "2011 State of the State Address: Transforming Washington's Government," by Governor Chris Gregoire, January 11, 2011.

The CAT called for a more stringent state energy code “to achieve a thirty percent reduction in new building energy use compared to the 2007 edition of the Washington State Energy Code.”² The Governor then directed the Building Council to expand the existing energy code during the 2009 adoption cycle.”³

In 2009, however, the Legislature approved SB 5854 which requires the Council to work with the state’s Department of Commerce to, “adopt state energy codes that require homes and buildings constructed from 2013 through 2031 to incrementally move towards a 70 percent reduction in energy use by 2031.”

Notwithstanding the inherent conflict, the Council is moving forward with implementing both the policies advanced by the Governor and Legislature.

In late 2009, prior to the adoption of the new energy codes designed to meet the Governor’s goals, the Joint Administrative Rules Review Committee (JARRC) reviewed the required economic analysis provided by the Council and noted that it, “failed to comply with all requirements of law.” The Committee asked the Building Council to “provide additional economic impact information, including an estimate of the number of jobs that would be created or lost as a result of compliance with all the proposed rules, as required by RCW 19.85.040 (2)(d).”⁴

Concerned about the resulting job losses, Governor Gregoire wrote the Building Council, on June 8, 2010 asking for a delay in the implementation of the 2009 amendments until April 1, 2011. In her letter, the Governor highlighted the economic difficulties facing the construction industry, noting that, “there are serious questions regarding whether conditions will get better or worse” for the industry.

On January 1, 2011 the Council ignored the requests of JARRC, and also failed to answer any of the questions concerning economic impact raised by the Governor, and implemented the new standards to the state’s energy code. In doing so, members of the Building Council showed little concern for construction workers who will likely lose their jobs as a result of the Council’s actions.

Environmental Benefit and Costs

Neither the Governor nor Legislature provided any accountability mechanisms to measure the effectiveness of these policy goals. A review, however, of the 2009 amendments to the state’s energy code shows that increasing energy efficiency rules on homebuilders does not lead to significant environmental benefit.

Our research shows, under the 2009 energy codes, the average home in the Seattle market would only reduce its annual emissions by a little more than one metric ton, and in the Spokane area approximately two metric tons.⁵

The Council estimated that compliance with the regulations would add about \$1.00 per square foot to new construction, so the buyer of a new 2,200 square foot home would pay an additional \$2,200.00, a number that construction experts say is much too low. By comparison, on the European Climate Exchange a carbon offset, which is the equivalent of the reductions being achieved through the energy code amendments, can be purchased today for about \$18.00.

² “Leading the Way: Implementing Practical Solutions to the Climate Change Challenge,” by Climate Action Team, November 2008.

³ Governor Gregoire, letter to the State Building Code Council, May 29, 2009.

⁴ WAC 51-11, Section 101, Reviser’s Note: Note of Objections.

⁵ “State’s New Energy Regulations Would Increase Costs for Homeowners,” by Brandon Houskeeper, Washington Policy Center, July 2010

The new Building Council restrictions mean fewer new homes will be built and the buyers will pay more for the homes that are available. Because the benefit to the environment is tiny, it would take 50 years before the stricter building rules pay for themselves in the form of energy savings. New homebuyers will likely never realize any significant benefit from the higher home price the Building Council requires them to pay, and of course unemployed construction workers will be severely penalized by the Council's action.

Policy Recommendations

The new energy code regulations will have a negative impact on citizens of Washington by increasing costs to homeowners, workers and business, while providing minimal benefit to the environment.

Lawmakers can provide economic relief and recovery, as well as increased energy efficiency. In order to do that they must:

1. Defer implementation of State Building Council's 2009 energy codes that were implemented on January 1, 2011. Lawmakers should defer the 2009 amendments until 2013, to coincide with the requirements of SB 5854. This would remove duplicative processes, confusion and costs.
2. Require a completed cost/benefit analysis, including a Small Business Impact Statement that must be approved by the Legislature, before adoption of any new building codes. Lawmakers will be better equipped to review a final economic analysis that would consider other economic factors, such as implications of a prolonged recession.
3. Require an analysis showing the total amount of emissions that would be reduced through new energy code amendments. By requiring this analysis, lawmakers can estimate whether any real environmental benefit would be gained in return for the higher prices homebuyers would have to pay, and for the economic hardship experienced by the construction workers who will lose their jobs.

Collectively, these policy recommendations would provide citizens of Washington the reprieve they need from the costly regulations being proposed by conflicting policy goals. These policies will also ensure that a complete review and analysis, including impact on market prices and job opportunities, has been done prior to adoption of any new regulations.

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