phius alliance
MINNESOTA
PASSIVE HOUSE INSTITUTE U.S.

9 March 2026

RE: Opposition to HF3545

Dear members of the House Workforce, Labor, and Economic Development Finance and Policy Committee,

On behalf of Phius Alliance Minnesota, I am writing to express our strong opposition to HF 3545. Our organization represents a broad coalition of design, construction, and development professionals who volunteer their time in support of high-performance, passive-level building standards. We believe this legislation would be detrimental to Minnesota's long-term housing affordability and statutory climate goals, while providing no concrete benefits in terms of housing production or costs.

That said, we bring the following points to illustrate why this legislation is both inappropriate and unnecessary:

1. Energy codes and efficiency measures are not a primary contributor to housing unaffordability

A common criticism of improved energy standards is an increase in housing costs, which in turn price out low and middle-income residents. While the current cost of housing is a concern, ULI Minnesota[1] states that the **primary drivers of such Missing Middle housing are more accurately attributable to:**

- **Cost of land** (particularly in desirable market locations)
- **Cost of parking** (number of stalls required, and land needed for surface parking)
- **Local land use regulations**
- **Zoning restrictions on smaller, less dense developments** (i.e. duplexes and triplexes, compared to higher-density apartments)

In fact, the same report also warns that **focusing too heavily on cost containment to achieve affordability "may lead to higher capital expenditures in the future,"** specifically citing increased energy costs as a common expense that is simply passed on to the resident as soon as the project is completed. Affordability only confined to initial cost is not true affordability.

Evidence from high-performance buildings reinforces this point. Data from Phius shows that **homes built to passive-level performance standards typically involve incremental**

[1] "Missing Housing for Middle Incomes: Strategies to Reduce Cost and Add Affordability" (ULI Minnesota Housing Report, 2020–2021) https://minnesota.uli.org/uli-minnesota-releases-new-housing-report-missing-housing-for-middle-incomes-strategies-to-reduce-cost-and-add-affordability/

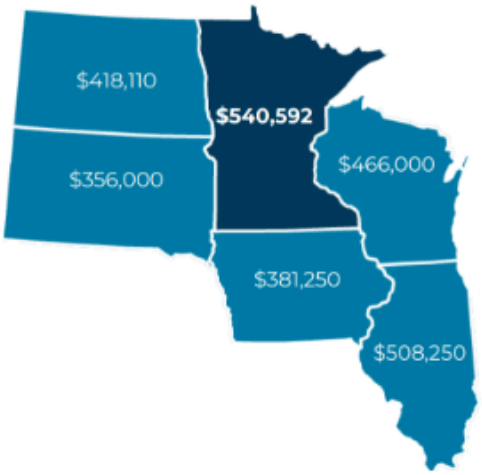
construction cost increases ranging from about 1% to 4.1%, with an average of roughly 2.2% in mature markets.[2] These homes often achieve 40–60% greater energy savings compared to standard code-compliant buildings, demonstrating that substantial efficiency gains can be achieved with relatively modest cost increases.

Broader research from the American Council for an Energy-Efficient Economy indicates that modern energy codes reduce household energy consumption significantly, lowering utility bills and saving residents billions of dollars over time. **By reducing operating costs and improving comfort, health, and resilience, stronger energy codes ultimately support long-term housing affordability rather than undermining it.**

More Efficient Energy Codes Do Not Correlate with Higher Home Prices

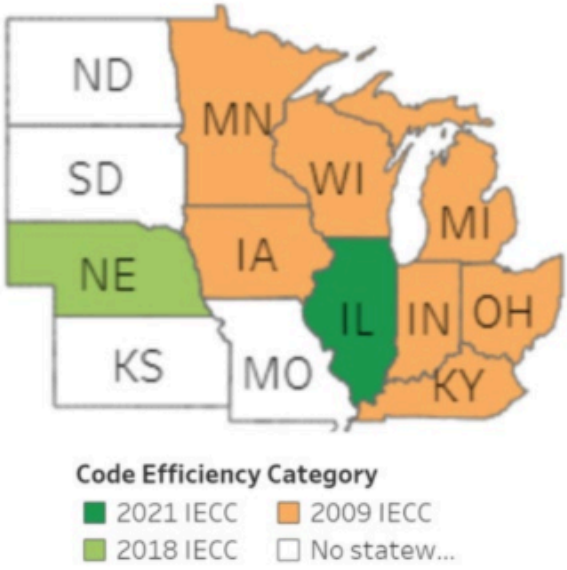
Although Minnesota has the highest median new home price in the region, its Residential Energy Code is on-par with surrounding states (such as WI and IA) **with lower home prices.**

Midwest Median New, Single-Family Home Price, 2024 ***(Source: Housing First MN)***



Data from: *Zonda – New Single Family Detached (SFD) Median Closing Price: Q3 2024*

State Residential Energy Code Efficiency, Midwest ***(Source: US DOE 2024a)***



*** **Note:** *While MN's current energy code is officially based on the 2012 IECC, DOE determined that weakening amendments place its performance in line with the 2009 IECC.*

[2] Massachusetts Clean Energy Center. "Passive House Design Challenge." https://www.masscec.com/program/passive-house-design-challenge

2. Updated energy codes do not restrict new construction

It is a common misconception that updated energy and construction codes will deter new construction and exacerbate supply issues. However, nationwide analysis from multiple sources has indicated that the adoption of more stringent energy codes has not been associated with significant impacts on new home construction – and in some cases, jurisdictions have actually seen significant increases in construction:

- A 2024 study[3] by the Midwest Energy Efficiency Alliance and Slipstream found that **strengthened energy codes in Illinois had no effect on new home construction in the state** relative to neighboring counties in adjacent states.

- A 2016 study[4] by the American Council for an Energy-Efficient Economy (ACEEE) found that **residential construction increased in five southeastern states after they adopted new codes.**

Furthermore, an October 2025 analysis by the American Council for an Energy-Efficient Economy (ACEEE)[5] found that states that adopted stronger building energy codes (specifically the 2021 International Energy Conservation Code) continued to build new housing at rates consistent with national trends, with more than 250,000 single-family homes built or permitted after the updates took effect. (**See next page for data visualization)**

The evidence suggests energy codes do not constrain housing supply and instead improve affordability by lowering residents' utility costs, while **housing shortages are driven primarily by other factors such as:**

- **Interest rates**
- **Labor and material shortages**
- **Local zoning provisions**

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[3] Alison Lindburg (MEEA), Alyssa Kogan, and Jeannette LeZaks (Slipstream) "Do Stronger Energy Codes Move Development to Neighboring Jurisdictions?" August 2024. https://www.mwalliance.org/sites/default/files/meea-research/do_stronger_energy_codes_move_development_to_neighboring_jurisdictions.pdf

[4] Carolyn Sarno Goldthwaite and Lauren Westmoreland. "Regional Construction Starts: Trends, Impacts and Energy Codes." Summer 2016. https://www.aceee.org/files/proceedings/2016/data/papers/5_461.pdf

[5] Lowell Ungar and Ben Somberg. "In States with Strengthened Building Energy Codes, A Quarter Million New Homes Rise." October 6, 2025. American Council for an Energy-Efficient Economy (ACEEE). https://www.aceee.org/blog-post/2025/10/states-strengthened-building-energy-codes-quarter-million-new-homes-rise

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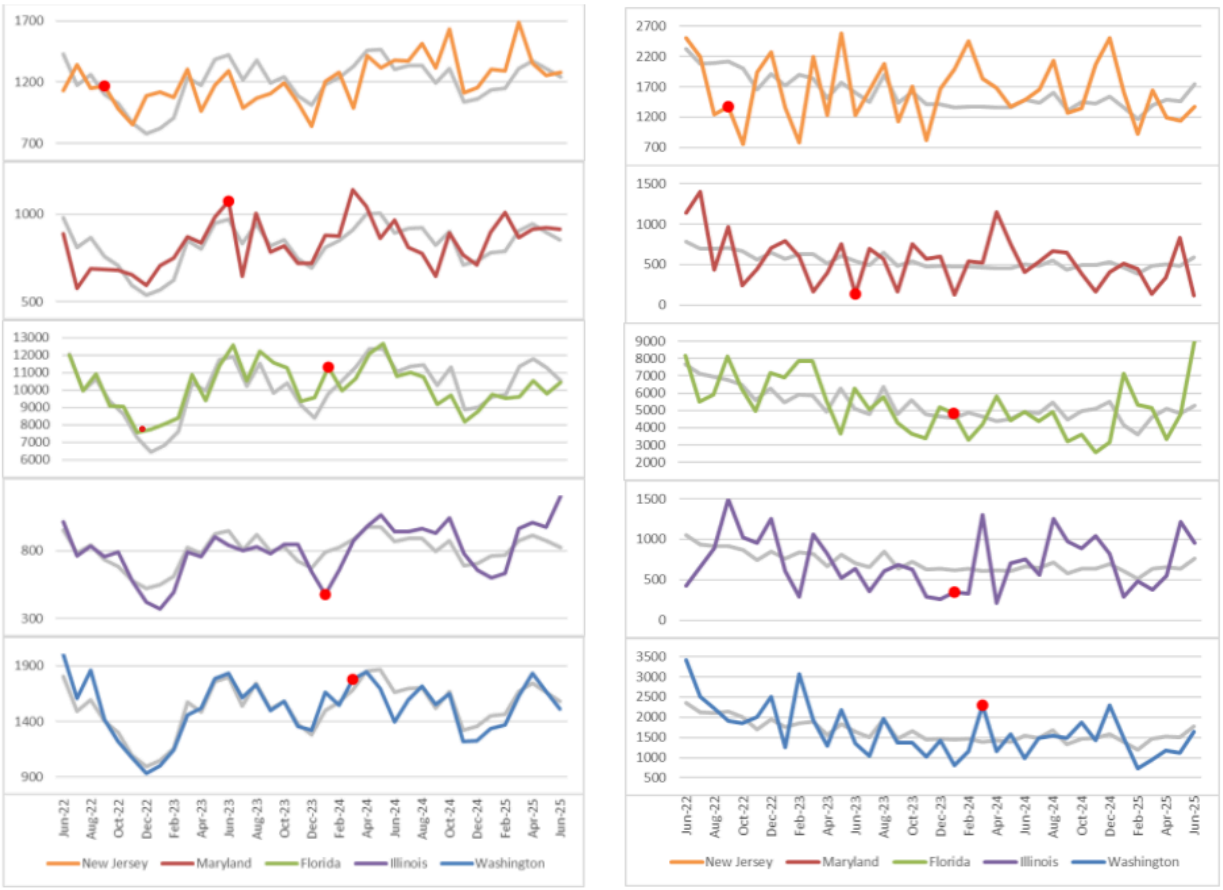
Housing Production in 5 States Following New Energy Code Adoption, Relative to National Trends (2022-2025)

In states adopting the 2021 IECC, **the number of permitted housing units statewide** (colored lines) **generally follows, and occasionally exceeds, the national average** (gray lines) following adoption.

Single-Family **Multifamily**



Number of permits by state for single-family (left) and multifamily (right) units. **Red dots** signify when a state's new code took effect. The **gray lines** show national permit numbers scaled for comparison to each state.

Source: ACEEE
(https://www.aceee.org/blog-post/2025/10/states-strengthened-building-energy-codes-quarter-million-new-homes-rise)

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3. Repealing the building energy code acceleration statute would undermine a years-long, consensus-based process built on extensive technical review and stakeholder engagement.

The Minnesota Department of Labor and Industry convened the Residential Energy Code Technical Advisory Group (TAG) in August 2023 to evaluate potential updates and provide expert recommendations on the state's residential energy code. This group brought together a broad range of stakeholders – including builders, code officials, engineers, and energy experts – to carefully assess proposed changes and their impacts on construction practices, costs, and long-term performance. Over more than two years, the TAG worked through a structured public process of analysis, discussion, and revision before delivering its final recommendations. Those recommendations were ultimately reviewed and approved by the Construction Codes Advisory Council (CCAC) in November 2025.

Repealing the statute at this stage would effectively discard the results of that extensive process. **For those concerned with efficient governance and the responsible stewardship of public resources, such a move would create significant disruption and uncertainty.** It would invalidate hundreds of hours of staff work, stakeholder participation, and technical analysis already invested in the rulemaking process, forcing the state to revisit or repeat work that has already been completed. Rather than improving outcomes, **repeal would inject unnecessary chaos into Minnesota's building code development process and represent a substantial waste of time and public resources already committed by the Department and its partners.**

In closing, we sincerely hope that you will consider these points and advance this bill for the benefit of our collective energy and climate future.

Signed,

Phius Alliance Minnesota

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