

Subject: Strong Opposition to HF 3545 – Repeal of the 2038 Residential Energy Code Escalation

To: Chair Baker, Chair Pinto and Members of the House Workforce, Labor, and Economic Development Finance and Policy Committee

My name is Luke Miller. I am a resident of Richfield, a former home remodeler, and current building material sales representative. I am writing today to express my strong opposition to HF 3545, a bill that seeks to repeal the requirement for our state to transition to a more efficient residential energy code by 2038.

The primary argument driving this bill—that building to higher efficiency standards will drastically inflate the cost of housing—is fundamentally flawed and ignores empirical data from regions in the U.S. that are already successfully doing this.

Stricter Codes Do Not Equate to Unaffordable Building When we look at U.S. jurisdictions that have already adopted stricter standards, the supposed "sticker shock" of high-performance building vanishes. In Illinois, the adoption of the 2021 International Energy Conservation Code (IECC) resulted in zero drop in new home construction. Data from the Department of Energy and the Institute for Market Transformation shows that meeting these tighter envelope standards raised initial construction costs by an average of just \$2,400 per home—a roughly 0.6% increase that is quickly offset by utility savings. Similarly, under the Massachusetts Stretch Code, while final sale prices saw a marginal 4% increase, researchers at MIT determined that nearly half of that increase was driven strictly by market demand. Buyers are willingly paying a premium because they want healthier, more comfortable, and highly resilient homes, not because material costs forced the price up.

The True Threat to Affordability: Insurance and Utility Costs HF 3545 assumes that keeping construction costs artificially low today solves the affordability crisis. It does the exact opposite. By allowing developers to halt progress on improved building standards, we are building a deeply vulnerable housing stock.

First, we cannot ignore the volatile cost of keeping these homes warm, especially now as our energy supply chain is being threatened by a war of unknown length. According to the Citizens Utility Board of Minnesota, households in the Midwest recently faced winter heating bill increases of 16% for natural gas and 20% for electricity in a single season. Our current code-minimum home with a leaky envelope and minimal insulation traps working families in a cycle of paying ever-increasing utility rates.

Second, the increasing severity of extreme weather driven by climate change is actively destroying housing affordability through the insurance market. We are seeing these climate

impacts locally; last year, Minnesota experienced 50 days with air quality alerts. The smoke was significant enough that the American Lung Association gave the Twin Cities an "F" grade for both ozone and particle pollution in their 2025 report. Just last Friday, March 6, unprecedented and deadly tornados which had never been seen this early in the season tore through southwestern Michigan, destroying homes and ending lives. Insurers are actively passing the costs of these extreme events to homeowners. Nationally, according to a 2025 KTSP report, home insurance rates have spiked by 24% over the past three years, and industry projections indicated Minnesota was likely to see the 5th highest price increase nationwide due to an increase in extreme weather events like this storm we just saw in Michigan.

The Status Quo Protects Wall Street, Not Minnesotans We must be honest about who benefits from halting our progress on building standards. Maintaining the status quo serves the financial interests of the massive, publicly traded corporations that dominate the Minnesota market. Just three companies—Lennar, D.R. Horton, and M/I Homes—now account for a staggering 44.8% of all new housing units permitted in the Twin Cities metro, and roughly 18.5% statewide. Their system is designed to pump out high-volume, code-minimum developments to satisfy institutional shareholders like BlackRock, while their out of state executives take home tens of millions in annual compensation. Meanwhile, the actual tradespeople swinging the hammers and pouring the concrete on these sites are often paid wages that make purchasing the very homes they build entirely out of reach.

High-Performance Standards Drive Local Economic Growth By committing to the 2038 energy mandate, we do more than just build better homes; we spur local innovation. Advancing our standards for home constructions opens up new market opportunities for local contractors, specialized trades, and regional suppliers to compete and thrive. When local businesses capture a larger share of the homebuilding market, that money stays right here in Minnesota. That means better wages for local workers, stronger local economies, and ultimately, more Minnesotans with the financial means to actually afford a home.

Repealing our progress on energy codes is a step backward for the health of our communities, the resilience of our housing stock, and the prosperity of our local trades and businesses. Many proponents of this bill are simply focused on generating wealth now for non-Minnesotan institutional shareholders, while making our homes and communities less safe and the cost of living more unstable for our children and grandchildren. I strongly urge you to decline support for this bill

Sincerely,

Luke Miller Richfield, MN

