

Senate Subcommittee on Housing, Transportation and Community Development

David Caldwell Jr Testimony

June 30, 2010

Green Housing in the 21st Century:

Retrofitting the Past and Building an Energy Efficient Future

Good Morning Mr. Chairman and Members of the Committee,

Thank you for offering me the opportunity to speak on behalf of the merits of green housing, and, in particular, on the Energy Efficiency in Housing Act of 2009. My name is David Caldwell Jr, a second generation home builder from a small family owned construction company in Rhode Island and a recent Marine Corps veteran of Operation Iraqi Freedom.

Recently, our company completed the first Department of Energy Builder's Challenge House in Rhode Island, which was a complete gut remodel of a foreclosed and abandoned home originally built in 1952. (see picture). For an additional \$5,000 in construction costs, we were able to more than double the energy efficiency of the house. The house, built entirely on speculation, has 3 bedrooms, 2.5 baths, just under 1300 square feet, and sold for \$265,000 to a single mother who is a school teacher with two daughters. We had multiple offers over the asking price of \$259,900 in a matter of 5 days, and had approximately 200 people visit two open houses at the property. Suffice to say, the response to this house was somewhat overwhelming.

The principle value proposition is that the additional \$5,000 in construction costs spent to double the energy efficiency of the house, when amortized over 30 years at present rates, equals about \$1 per day. The energy savings for the house, at 2010

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rates, equals approximately \$2 per day. Over time, assuming a fixed rate mortgage, if the price of energy increases, this gap will likely increase substantially. Once again, the homeowner will receive approximately double the value in energy savings that the green features of the home will cost over time. That's a return on investment that should appeal to everyone.

Though in Rhode Island there appears to be significant demand for this type of home, neither the mortgage industry nor the appraisal community is at this time willing to assign any additional value to homes built to green or energy efficient standards, making appraisals and financing very difficult, particularly for those applying for FHA mortgages with low down payments.

Not one person who has seen this house has disagreed with the value proposition for the homeowner created by its increased energy efficiency. However, the overwhelming focus of the financial community, the real estate community, and the appraisal community is the extra cost involved, not the operational savings and value to the homeowner that has been created. Presently, I have a customer who is designing an energy efficient custom green home. When he went to the bank seeking financing for a construction loan, he explained all the attributes of the green house, including a photovoltaic system to provide enough electricity for the entire house, but the bank literally said, "we don't care about that energy efficiency stuff, it's just added expense. It does not matter for the mortgage and the appraisal."

I am frequently asked why more houses are not being built similar to the green home we constructed. I am fond of using this analogy: If a customer is purchasing a car, and sees two cars that look identical in all respects on the car lot, but knows nothing

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other than the fact that the first car costs 2% more than the second car, he or she will pick the less expensive model. If told that the first car gets over double the gas mileage of the second car, the customer will probably reason that the first car is definitely the better value, even though it costs 2% more money to purchase.

Today, consumers are provided with considerably more information when they purchase a car, box of cereal or cell phone than they are when they purchase a home, which is usually by far the most expensive purchase that most people make.

As such, I am very much in favor of the incentives for green housing, including the ones in the Energy Efficiency in Housing Act. I have met no one who does not believe that energy efficiency in housing is not a great idea. I have met no one who would not be willing to spend a dollar a day to save two dollars. It can be done, and should be done - I do not know why anyone would build a new house any other way, it does not make sense to me. The question, then, at this time, is why we are not collectively building in this fashion. I believe that the incentives and guidance of the Energy Efficiency in Housing Act will be a tremendous help to both homeowners and small businesses in facilitating the shift towards more sustainable and efficient housing stock. This is an outstanding example where federal leadership can synthesize a true win-win situation for business and homeowners. Thank you again for the opportunity to testify and I am happy to answer any questions.

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