

What will state's building code do to new home prices?

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Colorado is rolling out a new building code aimed at reducing the amount of carbon emissions emitted from homes, offices and other buildings, and state leaders hope the plan will be environmentally responsible without sending construction prices soaring.

The new building code announced Tuesday — the Colorado Model Low Energy and Carbon Code — will push homebuilders and commercial developers to construct more energy-efficient structures by creating incentives to install electrical heating systems, which reduce the amount of carbon emissions by eliminating natural-gas consumption.

The new energy code also will call for more air-tight buildings to keep pollutants such as wildfire smoke from invading homes while decreasing emissions leaking from buildings.

Although the new code may add to upfront building costs, state officials hope those are offset by lower utility bills for owners over the years.

"The low energy and carbon code is a real win-win for the residents of Colorado, and this code will help people save money on their energy bills, while also reducing pollution and helping meet state climate goals," said Will Toor, executive director of the Colorado Energy Office.

The Energy Office developed the new code after the legislature passed a bill in 2022 that created a state Energy Code Board, which was tasked with adopting new rules that cut emissions while maintaining housing affordability.

The new code will become the standard for homebuilding in the coming years as municipalities in Colorado update their new building code, starting in July 2026, Toor said.

The code was adopted from the 2024 International Energy Conservation Code, developed by the International Code Council to recommend the best practices for improving energy efficiency in buildings. But building code changes often come with a cost as they require more expensive equipment and technology. So Colorado leaders hoped to create a rule that improved energy efficiency with as little impact as possible on an expensive housing market.

Self-described "code nerds" believe Colorado will succeed.

Christine Brinker, senior buildings policy manager for the Southwest Energy Efficiency Project, followed the new code board's efforts and said its members worked hard to take into consideration the needs across the state, not just in Denver. And they did not let the culture wars over natural gas and fossil fuels invade the work, she said.

"They looked at what is best as a whole for Colorado homebuyers and homebuilders without pushing an agenda," she said. "It seemed they were really listening and trying to craft what is best for Colorado."

Erin Sherman, an energy code expert at RMI, a clean energy nonprofit, said other states have developed similar building energy codes, but those policies are more tailored to each state's needs.

Colorado's new code took an international guideline and altered it in a way that could become a formula for others to follow, she said.

"The way Colorado builds on it is constructive, no pun intended," she said.

Reducing carbon emissions

1

Colorado is trying to become a national leader in reducing total carbon emissions, doing its part to limit global warming. The state's Greenhouse Gas Roadmap has a goal for the state to cut its greenhouse gas pollution 100% by 2050.

The new code should reduce reliance on fossil fuels, lowering the amount of greenhouse gases released. Greenhouse gas is formed when carbon dioxide, methane, nitrous oxide and other gases combine to trap heat in the atmosphere, accelerating climate change across the planet. A rising global temperature is responsible for more severe weather and wildfires.

"The basic idea was, 'Let's adopt an energy code that will maximize how much people will be able to reduce energy use in new buildings and maximize carbon reductions, but making sure that we're not driving big, big costs to do so,'" Toor said.

Other measures included in the new energy code require builders to install smart thermostats that allow utility companies to raise a home's settings during extreme weather periods when demand is stressing the grid.

Homeowners would not be required to opt in to those programs, but they would have the option because the appropriate equipment would be installed.

The code also will treat the largest and most expensive homes differently than smaller starter homes, Toor said. Those homes will be required to have higher energy-efficiency performance, he said, because state policymakers were not as concerned about mansions being a little more expensive than homes being purchased by the middle class.

As for commercial buildings, the 2024 international code required all new commercial construction to include renewable energy, such as solar panels. But Colorado relaxed that rule, saying the state's power grid was moving in that direction. Solar panels remain an option, but won't be required under the new code.

The code is 157 pages long and is full of complex details, Brinker said. Builders and city code officials will need time to digest the rules and understand what is being asked of them.

The code will not force total electricification of buildings but will nudge builders in that direction. There will be a basic minimum they need to meet, and other energy-efficiency steps will be optional.

"It's not that the whole code is optional, but it's how you navigate through the code and how you build the house that has flexibility," Brinker said.

Concerns about housing affordability

Still, she expected homebuilders to push back because "frankly, there always is."

Brinker disagrees that the building code will drive up home prices because prices are more influenced by market demand, land value, proximity to good schools and other factors. She cautioned policymakers not to blur the lines between housing affordability and homebuilder profitability.

"Homebuilders and Realtors, they want to sell houses and buildings at as high a price as they can," Brinker said. "If they can save on construction costs, they don't discount their home prices one-to-one on those savings."

However, Ted Leighty, chief executive officer of the Colorado Association of Home Builders, said in an emailed statement that homebuilders disagree that the upfront expense of building more efficient homes will be balanced by financial savings down the road.

"Our primary concern, which was largely dismissed by the (Energy Code Board and the Colorado Energy Office staff), is that housing affordability is determined by whether families and individuals can afford to purchase a home in the first place — not whether their energy bill savings will offset the increased costs of their home decades later, long after they've ceased living there," Leighty said.

He also said the state could better reduce carbon emissions from buildings by tackling the existing housing stock, much of which was built before energy-efficiency codes existed.

"The state is clearly not paying attention to the math if policymakers believe this code will appreciably reduce emissions for the built environment," Leighty said.

"Approximately 20,000 new housing units are added each year to the Denver metro area's stock of 1.2 million existing housing units. At that rate, it will take 60 years for new units to make up half of the housing stock. If legislators and regulators are serious about climate policies, they would recognize that taking 1.6% of the housing stock each year from 'very good' efficiency to 'great' efficiency is not the solution."

But clean-energy advocates pushed back on that characterization, saying Colorado has programs that provide tax credits to families with low to moderate incomes and to the owners of large buildings who want to switch to electric heat pumps or use geothermal energy for heat.

The new low-carbon, low-energy code is just part of the toolkit for ensuring Colorado does its part to reduce global warming while providing people with comfortable homes that burn less natural gas, said Laila Atalla, a clean energy expert with RMI.

"It's two different parts of the broader strategy," she said.

